

# MINO-879 - NZIER State Highway Report

6 September 2023

The Minister's Office has asked questions about the Northern Infrastructure Forum (the Forum) plans to issue a NZIER report on state highway investments and relevant media release.

## Waka Kotahi NZ Transport Agency's response:

The Forum's media release contends that "While transport projects have traditionally been assessed on their travel time savings and road safety benefits, NZIER's research focuses on the benefits to the economy of improved supply chain efficiency, resilience, and productivity of businesses along the new highways."

- This NZIER report essentially estimated four different types of benefits:
  1. Resilience
  2. Agglomeration
  3. Safety
  4. Supply chain efficiency
- The first three of these are accepted components of transport project appraisal. However, the last one, supply chain efficiency, which makes up 70-80 percent of the benefits reported in the NZIER report, has not been adopted by Waka Kotahi as an accepted transport benefit.
- We cannot verify that the productivity benefits to firms arising from supply chain efficiency are of that magnitude or that a calculation based on an additional multiplier to Gross Domestic Product (GDP) is justified.
- There is no general agreement within the sector that this should be a generally accepted transport benefit, particularly because of the challenge of how to measure a proposed supply chain efficiency gain or loss.
- Our transport project appraisal does however capture the travel time savings arising out of supply chain efficiency.

## Can Waka Kotahi advise if the estimated annual contribution to GDP that NZIER talk about lines up with Waka Kotahi's estimates?

- As stated above, Waka Kotahi does not estimate a transport project's impact on GDP in the way that NZIER has. In that sense the NZIER estimate of supply chain efficiency does not line up with Waka Kotahi transport benefit calculations. NZIER estimates significantly larger impacts on GDP than the Waka Kotahi transport appraisal.
- The other benefits, however, are very closely aligned, for example NZIER's report estimated Warkworth to Wellsford would create \$31.9 million in resilience benefits (versus \$31.2 million in our business case) and \$62.2 million in safety benefits (versus \$55.9 million in our business case).



Will be considered for: release with redactions.

- We note that NZIER's report used a shorter period of analysis than our published business cases, but this was offset by NZIER using the current, and much higher, parameter values (for travel time and crash costs) than were used in our previous business cases.
- If we were to exclude the contentious supply chain efficiency benefits that NZIER's report claims, their results are actually fairly well aligned with our previously published business cases.

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