

**BOARD PAPER**

**Investment and Operations Committee**

<b>Paper no:</b>	14/07/117
<b>Meeting date:</b>	4 July 2014
<b>Prepared by:</b>	Bob Alkema, National Manager Investment Robert Brodnax, Regional Manager Planning and Investment
<b>Recommended by:</b>	Dave Brash, Group Manager (Planning and Investment) Jenny Chetwynd, Group Manager (Strategy, Communications and Performance)
<b>Board function:</b>	Setting sector and organisational direction
<b>Subject:</b>	<b>Update on the development of the Investment Assessment Framework</b>



## PURPOSE

1. To provide an update on the development of the NZ Transport Agency's Investment Assessment Framework under the Land Transport Management Act.



## RECOMMENDATION

2. That the Investment and Operations Committee **notes** the scope, process and timeframes for developing the Investment Assessment Framework (as outlined in Appendix 1).



## BACKGROUND

3. A revised and updated Investment Assessment Framework will be used to assess National Land Transport Programme (NLTP) funding applications, and is one of the mechanisms for ensuring that the Transport Agency uses its revenue in a manner that seeks value for money and gives effect to the Government Policy Statement on Land Transport (GPS). It is the Agency's statutory role to develop and operate an assessment system and to independently determine investments from the NLTF. The new Investment Assessment Framework (IAF) will replace the current Investment and Revenue Strategy, and is needed from August onward for Councils to develop their regional programmes.
4. The work to revise and further develop the assessment framework is being undertaken to ensure the Transport Agency has the best possible evidence and information on which to make its judgements on investment priorities.

5. There are two streams of work that are currently being undertaken:
  - Stream 1 – Development of the NLTP decision-making framework that will apply for the 2018-21 NLTP, which includes a review of international best practice with a focus on identifying 'quick win' changes to our existing assessment approach for the 2015-18 NLTP.
  - Stream 2 – Development of the Investment Assessment Framework for the 2015-18 NLTP.
6. The first stream of work will probably lead to a more comprehensive review of opportunities to ensure that our practice is aligned with international best practice and statutory requirements. The second stream is developing (or confirming) the detailed criteria to give effect to the GPS (e.g. defining quantitatively what we mean by severe congestion).
7. The Ministry of Transport and the Transport Agency are currently working together, with the aim of reaching a shared understanding on issues and opportunities to enhance the design and application of the IAF for the 2015-18 NLTP and beyond, while maintaining our respective independent decision-making roles.
8. For the 2015-18 NLTP we will continue to use three assessment factors to provide that basis for investment decision making. These factors are:
  - strategic fit = right things, issue/opportunity and line of sight to GPS results
  - effectiveness = right way, proposed programme/activity to deliver GPS results
  - efficiency = right price, the best whole of life benefits and costs.



## TIMEFRAMES

9. Timeframes for the development of the final IAF are dependent on the release of the final GPS. We will report to the Board meeting on 15 August, before the IAF is released on 27 August.

Date	Milestone
June 2014	Minister releases the draft GPS for consultation
June/July 2014	Draft IAF structure developed
August 2014	Board approval for the draft IAF sought
August 2014	Draft IAF used to provide investment signals to approved organisations
November 2014?	Final GPS released (date uncertain)
December 2014	Finalise IAF



## ATTACHMENT

10. There is one attachment: Terms of reference

## # TERMS OF REFERENCE

### **Purpose**

- Development of the New Zealand Transport Agency's investment assessment framework and methodology to provide assurance that it best meets the requirements of the Land Transport Management Act (LTMA) and aligns with international good practice.

### **Context**

- The NZ Transport Agency is charged with independently making decisions to invest in transport activities to achieve value for money. It may apply different methods of assessment for the purposes of approving activities (LTMA section 20A).
- We need to consider the changes to the LTMA since the last National Land Transport Programme (NLTP). In particular, the framework needs to align with LTMA section 20(c) which requires that the Agency must be satisfied that activities are consistent with the Government Policy Statement on Land Transport (GPS), and are efficient and effective, and to the extent possible, have been assessed against other options and alternatives.

### **Measures of Success**

- The assessment framework is adopted by the Board as meeting the requirements of the LTMA and has wide buy-in from stakeholders.
- Better achievement of the government's desired results from transport planning and investment under the Land Transport Management Act.

### **Scope**

Recommend improvements to the design and application of the NZ Transport Agency's investment assessment framework, for NLTP 2015-18 and longer term, including:

- Identifying problems and opportunities from the current approach
- Reviewing the strengths and weaknesses of current multi-criteria analysis and cost benefit methodologies, in particular:
  - The number of criteria
  - The boundary/overlap between criteria
  - The weighting and order
  - Linkage with the Business Case approach
  - Ease of understanding
- Application of local and international transport investment practice; and
- How the assessment framework considers the customers (road users) and is communicated to those who use it, and those who are interested in the results.

### **Process and Milestones**

- There are two interrelated work streams that must be completed by 27 August in order for it to be used in forming the NLTP 2015-18:
  - Stream 1a - Review of NLTP decision making framework – for the 2015/18 NLTP (quick wins)
  - Stream 1b - Review of the NLTP decision making framework (long term confidence stream)
  - Stream 2 - Development of Investment Assessment Framework for the 2015/18 NLTP

### **Assumptions/Constraints**

- Target completion date is 27 August 2014 for NLTP 2015-18
- Decision making rests with the NZ Transport Agency Board
- Key audiences are the NZ Transport Agency Board, the Ministry of Transport, Approved Organisations and the National Infrastructure Unit.
- Representatives of customers (road users) are key audiences in stage 1B.

## Resources

- Project Sponsor: Chief Executive, Geoff Dangerfield
- Project Manager: Stream 1a and I b - Robert Brodnax, Stream 2, Bob Alkema
- Project Coordinator: Helen Lane.
  - Steering Group: Group Manager, Strategy, Communications and Performance, Jenny Chetwynd (chair), Group Manager, Planning and Investment, Dave Brash
- Ministry of Transport: General Manager, Gareth Chaplin; Deputy Chief Executive, Andrew Jackson
  
- Reference Group
  - NZ Transport Agency: Chief Executive, Geoff Dangerfield.
  - Ministry of Transport: Chief Executive, Martin Matthews
  - Local Government:
    - Auckland Transport Chief Executive, Dr David Warburton
    - Dunedin City Chief Executive, Dr Sue Bidrose
  
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- Project Working Group (proposed membership to be determined) – 2 work streams and will include:
  - NZ Transport Agency: Douglas Robertson, Lynley Hutton, David Scarlet, Greg Campbell, Sandy Fong, Wayne Heerdegen, Graeme Belliss
  - Ministry of Transport: Tim Herbert, Peter Carr
  - National Infrastructure Unit: to be determined
  - Economic / transport consultant (to ensure broader thinking and engagement: Ernst & Young or Castalia

## Reporting

- Regular meetings of reference group
- Steering group updates NZ Transport Agency and Ministry of Transport senior leadership team at milestones