
Applying the Draft Investment Assessment Framework to Public Transport Programmes

NZTA

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VERSION 1.0

Investment Assessment Framework for the 2018-21 National Land Transport Programme

The Transport Agency has updated the assessment criteria for Public Transport Programmes, and the key changes involve the continued embedding of the simplified business case approach and improving the clarity and transparency of the Transport Agency's investment decision making process. This document describes on how the Investment Assessment Framework will apply to Public Transport continuous programmes.

For detailed information on the IAF please refer to the Transport Agency's [Planning and Investment Knowledge Base](#). A description for Public Transport Improvement proposals is discussed in the companion document - Applying the Draft Investment Assessment Framework to Improvement Activities.



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More information

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INTRODUCTION

The Transport Agency provides funding assistance from the National Land Transport Fund to investment partners to deliver programmes and projects to maintain and improve levels of service being delivered in the land transport system. Legislative requirements under the Land Transport Management Act 2003 and direction given by the Minister of Transport in the current Government Policy Statement on land transport (GPS) are reflected in the Transport Agency's operational policy and requirements for funding assistance.

The Investment Assessment Framework is a key tool the Transport Agency uses to comply with the legislation and give effect to the GPS. It will remain in draft form until the GPS is published. Once finalised, it will apply to all investment approvals made in the 2018-21 National Land Transport Programme.

"Investment partners" is a term that covers approved organisations (regional, unitary and territorial authorities, as well as the Department of Conservation and the Waitangi Trust), the New Zealand Police and the Transport Agency itself, in its planning and delivery functions, for state highway and nationally delivered activities.

This document describes the application of the Investment Assessment Framework to public transport programmes, which are investments in the public transport system, intended to maintain levels of service. Examples of activities funded include existing bus, train and ferry services, as well as maintenance of public transport facilities and operations.

The [Planning and Investment Knowledge Base](#) is the most current source of guidance for funding requests from the National Land Transport Fund. If there is a difference in criteria between the Knowledge Base and this document, the Knowledge Base should be treated as the more up to date and correct.

BUSINESS CASE APPROACH AND INVESTMENT ASSESSMENT FRAMEWORK

The Transport Agency requires the principles of the business case approach to be applied to the development of an investment partner's improvement proposal.

Feedback from the transport sector regarding the investment decision making process that includes the business case approach and the investment assessment framework has been used to develop a fit-for-purpose approach for proposals seeking investment from the National Land Transport Fund. A draft Investment Assessment Framework was released for sector consideration in mid-March and feedback used to update it subject to release of the final GPS 2018.

The draft Investment Assessment Framework to apply to the 2018-21 National Land Transport Programme encompasses:

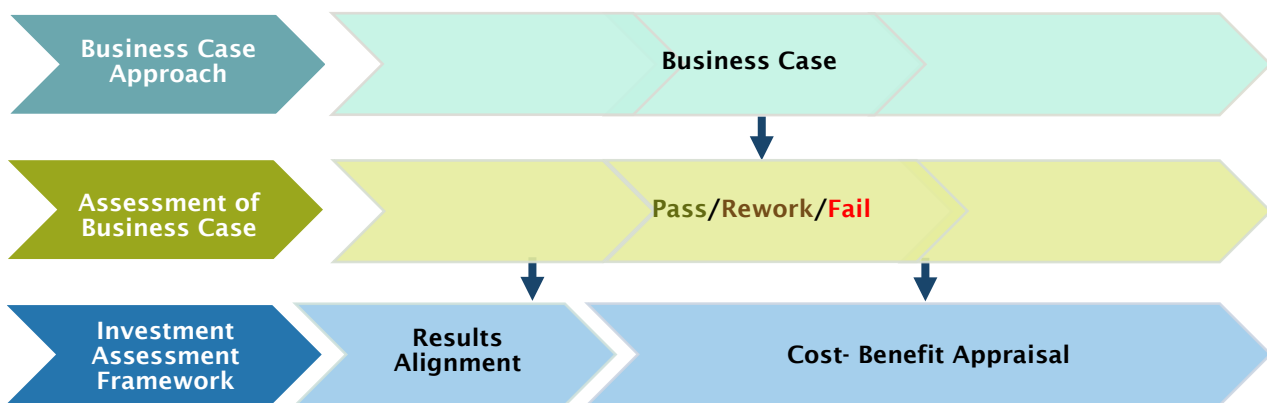
- a change to a two-factor assessment
- modification of the Transport Agency's investment decision making process to recognise the assessment of the business case as a gateway into assessment under the Investment Assessment Framework

- introduction of a 'Very High' rating for Results Alignment and Cost-Benefit Appraisal
- introduction of a streamlined approach that combines both the business case approach and Investment Assessment Framework for low cost/ low risk investments

The Transport Agency has introduced assessment of the business case as an investment decision making support tool.

The business case approach principles and Investment Assessment Framework are clearly linked through the assessment of the business case, and improved guidance on the business case approach principles is being integrated into the investment decision making process.

The business case is owned by the investment partner throughout the process. The Transport Agency's role, as manager of the National Land Transport Fund, is to satisfy itself that the business case is robust and that the proposed investment represents good value for money.



Investment decision making

The Transport Agency's investment decision making process system and Investment Assessment Framework are applied through a collaborative process between the Transport Agency and its investment partners. This may include the:

- current and desired service levels
- current and desired cost levels
- funding sought for the programme
- value for money
- assessment of the business case including:
 - proposal quality/methodology
 - evidence/information used and its quality

This is aligned with how the investment decision making process defines value for money as "doing the right things in the right place at the right time for the right price in the right way to achieve the right outcomes".

For public transport programmes, the Transport Agency encourages investment partners to engage early with it on applying the business case approach principles. Furthermore, investment partners are encouraged to engage with and seek the Transport Agency's assessment of the business case prior to submitting their initial public transport programme proposal for the National Land Transport Programme.

The Transport Agency intends that this early engagement and assessment will:

- enable the Transport Agency to engage with and negotiate the content of the existing programme proposal, including whether any component should be separated out as an improvement
- in the period between submission of the initial draft and the final draft programme proposal, enable the investment partner to respond to discussions around programme content and to provide more information, if required, to amend the programme proposal

Evidence base

One source that can be used to document, substantially or partially, the business case for public transport proposals is a Regional Public Transport Plan. This may be supported by information from other planning documents such as a Regional Land Transport Plan, Activity Management Plan, and Long Term Plan.

Where the information is spread across a number of documents, the investment partner may choose to provide the information in the form of a consolidated evidence summary, which references documents for specific information. Where there are information gaps in the documents, the necessary information should be provided and attached to the evidence summary.

The Transport Agency will work with the investment partner to consider to what extent it may be practicable for them to use their Regional Public Transport Plans and/ or other planning documents to demonstrate the application of the business case approach for their proposals.

Assessment of business case

As part of further embedding the business case approach into its investment decision making framework, the Transport Agency will assess business cases submitted in support of existing continuous programmes. The business case can refer to a range of supporting documents, strategies, or programme business cases.

Assessment of the business case is a critical step in the investment decision making process and enables the Transport Agency to ascertain throughout the proposal development steps that robust evidence exists to demonstrate that the principles of the business case approach have been applied appropriately.

The assessment takes the form of open questions that should form the basis of a discussion with investment partners to give them confidence that they are putting their best proposal forward, and to provide the Transport Agency the assurance that the principles of the business case approach have been applied properly. More detail around this process and the assessment template is provided with the [Assessment of the Business Case](#) guidance in the Planning and Investment Knowledge Base.

Existing programme

The existing continuous programme represents the programme required to maintain appropriate service levels.

The Transport Agency's assessment of the existing programme is not a commitment to it at the level set out in the investment partner's proposal. The level of funding approval is determined by assessing eligible proposals against the definitions and results in the GPS, and by optimising investment and the allocation of funding across the National Land Transport Programme as a whole.

The level of funding for the existing continuous programme will be negotiated and agreed between the programme owner and the Transport Agency, relying on the business case evidence supporting the proposal.

Any significant changes to levels of service, whether this requires investment in capital improvements or in extension of services, should be treated as an improvement and applied for accordingly. However some small low cost/low risk improvements can be dealt with using the streamlined assessment approach. For more information about the low cost/ low risk assessment, see the guidance provided in the [Planning and Investment Knowledge Base](#).

Customer levels of service

Public transport programme submissions from investment partners may be supported by, and take account of, a wide set of performance measures such as patronage numbers and wider network measures.

No nationally consistent level of service classification yet exists for public transport. In this activity class the Transport Agency uses proxies to determine the significance of the problem, issue or opportunity. The assessment considers if the existing level of service provision is adequate for the network type and community it serves.

In the longer term, the Transport Agency expects the sector to move towards a customer level of service approach aligned to an agreed set of performance measures.

Clarity and transparency

The Transport Agency is committed to demonstrating:

- that it manages investment consistently to deliver the best outcomes for New Zealanders, in line with GPS direction
- its processes, tools and systems are easy to understand
- the reasons for making investment decisions are transparent

To achieve this, the Transport Agency will:

- provide investment partners with a better understanding of why and how investment decisions are made to better equip them to develop business cases
- ensure the clarity and transparency principles are embedded in the way it works through consistent assessment of business cases

IAF: RESULTS ALIGNMENT

Use of Results Alignment rating

For the 2018-21 NLTP, the Results Alignment rating will be used by the Transport Agency to assess the significance of a problem, issue or opportunity relative to desired results set out in the GPS.

Ratings

The strategic cases behind the programme will be assessed for results alignment under three ratings – low, medium and high. The requirements for these ratings are set out in the [Planning and Investment Knowledge Base](#).

IAF: COST- BENEFIT APPRAISAL

Cost- Benefit Appraisal

The main Cost-Benefit Appraisal methodology for assessing public transport programmes as a whole, and the activities within them, is cost efficiency benchmarking.

Levels of service performance comparisons are set against required customer levels of service and trend analysis (past and future costs and demands). The primary Cost-Benefit Appraisal for a Public Transport programme is undertaken by using the Public Transport programme appraisal template, used to assess public transport programmes on a range of key performance indicators, including:

- benefit efficiency ratio
- farebox recovery ratio
- cost per service km
- service utilisation

Programme ratings

Public Transport programmes are given a Low, Medium, or High rating for Cost-Benefit Appraisal based on their relative cost effectiveness established through peer group and sector benchmarking comparisons. Ratings are categorised by:

- Low - when cost effectiveness and benchmarking shows below average band efficiency
- Medium - when cost effectiveness and benchmarking shows average band efficiency
- High - when cost effectiveness and benchmarking shows above average band efficiency

PREPARATION FOR THE 2018- 21 NATIONAL LAND TRANSPORT PROGRAMME

The Transport Agency understands that the content for the development of a public transport programme submission for the National Land Transport Programme will take into account the other statutory obligations and business processes of investment partners.

The Transport Agency will work with investment partners to determine the best transitional approach. For the 2018-21 National Land Transport Programme evidence will be expected to provide assurance that investment partners have met the information requirements set out in the assessment of the business case. The Transport Agency recognises that some investment partners are not undertaking significant reviews of their Regional Public Transport Plans and other statutory

planning documents, or will not have documents finalised in time for the assessment, and will take this into account in its assessment.

PRIORITISATION

The two assessment factors of results alignment and cost-benefit appraisal would be brought together to form an assessment profile that determines a proposal's priority, where the ranking is based on:

- meeting the desired results of the investment strategy
- achieving the desired results in the most efficient way

Results Alignment	Cost- Benefit Appraisal	Rank
	Continuous Programmes	
High	High	3
High	Medium	4
High	Low	5
Medium	High	4
Medium	Medium	5
Medium	Low	6
Low	High	7
Low	Medium	8
Low	Low	Exclude or by NZTA discretion