

Assessment of the business case for public transport continuous programme proposals

May 2017

This document is intended to be used as a basis for discussion between the NZ Transport Agency and its investment partners, to give confidence that a robust proposal can be considered for investment, and to enable the Transport Agency to have assurance the principles of the Business Case Approach (BCA) have been applied. We are providing this document to be clear and transparent about the process.

Use fit-for-purpose effort - One source that can be used to document, substantially or partially, the business case for public transport proposals (particularly continuous programmes), is a Regional Public Transport Plan (RPTP). This may be supported by information from other planning documents such as a Regional Land Transport Plan (RLTP), Activity Management Plan (AMP) or Long Term Plan (LTP).

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

For guidance on how you could use the RPTP to show how you have applied the Business Case Approach to a continuous public transport programme, please refer to the accompanying document, update to Transport Agency's *Guidelines For developing regional public transport plan*.

How the process works - This document provides an initial view of the assessment of the business case, which will help you assemble evidence. You then describe the evidence collected and the specific reference points in Transport Investment Online (TIO).

You should engage with the Transport Agency during this period to prepare a firm bid and ensure you are meeting information requirements. The Transport Agency assessor will look at the evidence in TIO and rate each question. During this assessment, feedback will be discussed with you before giving a pass, rework or fail.

For more information about the assessment process please see the companion document *Investment decision making - assessment of the business case*.

Further guidance will be available on the Planning and Investment Knowledge Base or, for specific information, contact your local Transport Agency regional office or email nltip@nzta.govt.nz

What the assessments mean

Pass - There is evidence that a robust Business Case Approach has been followed for the question.

Rework - There is evidence that there has been some application of the Business Case Approach principals for this question, but in order to put a robust investment proposal forward for investment assessment, rework is required.

Fail - There is insufficient evidence of robust application of the Business Case Approach to enable the Transport Agency to assess this question.

Assessment of the business case questions

- Strategic alignment** - What consideration has been given to alignment with regional and government priorities and results for public transport? Specifically, what information is provided (in the business case documentation from the investment partner) that:
 - supports and aligns the continuous public transport programme to government priorities and results for public transport and regional objectives, priorities and direction (RLTP and other relevant documents) and
 - links the benefits of the future public transport programme to the relevant regional priorities and objectives and government priorities and results (GPS).
- Strategic direction** - What trends and demand across the network have been identified and what is the role public transport will play in shaping this in future? Specifically, what information is provided that:

- indicates how this has been considered, both from the short to medium term (ie future or updated RPTP -3 to 6 years), and also a more strategic 10 to 30 year view of future network and asset requirements.

3. Problem identification (current state) - What problem/s or opportunities are currently being addressed through the existing service level provision and supporting amenities? In particular, what is the information that provides:

- a clear statement of the current state problem or problems, or opportunities being addressed, and
- the consequences of not addressing the problem or problems.

4. Problem identification & timing (future state) - What, if any, emerging issues have been identified in which public transport can be part of the solution? Related to this, what, if any, information is provided that identifies:

- any emerging issues, problems or opportunities with the existing public transport network (or wider) in which public transport is/can (or needs to) be part of the solution, and
- the urgency, and whether it is likely to impact across the next three year programme (or whether the impact is likely to be beyond this).

5. Objectives (benefits (outcomes)/ performance measures): identified & reasonable - What benefits and KPIs, at a network level related to the continuous programme, have been identified and are they reasonable? Specifically, what information is provided on:

- the future benefits (outcomes) and how well they will address the problem/s identified; and
- the performance measures to measure the benefits, and whether they will provide adequate evidence that the benefits have been achieved.

Examples of network level benefits: decongestion (throughput), accessibility.

Examples of network-level performance measures: Farebox recovery ratios (FBR), cost per passenger km, average vehicle utilisation, and average fares per passenger (or passenger km).

Note: Examples above align to performance measures in the cost and benefit appraisal for either a continuous programme, include the impact of any improvement intervention. There may be additional performance measures around other benefits such as accessibility (eg average distance from bus stops).

6. Options - What consideration has been given to options (eg through a network review or optimisation assessment)? Specifically, what information is provided on:

- when the network was last reviewed or an optimisation assessment carried out on the network (or components of it), and

- consideration that has been given (appropriate for the size and complexity of the network) of options (eg current network versus additional improvements, network configuration options, frequencies, coverage, and peak versus off peak).

7. Robust, fit for purpose forward programme - What is the evidence that the proposed future programme will appropriately address the problems and opportunities identified and deliver the expected benefits? In particular, what evidence is provided that the proposed future transport programme:

- addresses trends, problem/s and community needs as, reflected in the strategic documents)
- provides a balanced response to demand, and
- will deliver the expected benefits.

8. Alignment of programme expenditure - How well are planning documents aligned to the core programme (and any associated funding applications) in TIO? Specifically, what is the evidence (from a review of documentation/ references provided in the business case documentation) that provides assurance that there is:

- an alignment between the planning documentation and the TIO funding application for the total public transport programme (including any service improvement(s))
- all regional public transport activities in the proposed continuous programme are identified (eg services, service amenities, TM), and
- any gaps are identified.

9. Programme type identification - Related to 8 above, how has the investment required for the core programme versus any service level improvements been determined? In particular, what is the evidence (from a review of documentation/references provided in the business case documentation) to identify and confirm:

- it is clear (ideally in both the planning documentation and TIO applications) what relates to the core programme application and what relates to any improvement(s) required (ie an increase in service level and resulting annualised cost for service provision), and
- distinct service improvements are not included as part of the application for the continuous core programme, and are treated as separate improvement application(s) in TIO, via the Improvements module.

10. Continuous (core) programme (cost & value for money considerations) - Specifically related to the core programme, what evidence is provided that the indicative costs for the proposed programme are both reasonable and affordable (ie deliver in terms of value for money)? In particular, what is the evidence provided:

- that the costs of the proposed core programme are reasonable and affordable (for ratepayers and the taxpayer) using qualitative and/or quantitative evidence, and
- if the investment requirements as proposed for the core programme provide the same or similar level of service at reasonable cost (ideally more efficiently at lower escalation adjusted cost).

Note: If no or limited evidence is provided, then it needs to be determined if the justification is reasonable.

11. Smart, fit for purpose procurement of services - What, if any, emerging procurement-related issues and opportunities or outstanding issues have been identified? Specifically, what information has been provided:

- that there is an endorsed procurement strategy, updated for PTOM implementation (in which case the default would be a rating of acceptable)
- on any emerging risks or opportunities related to procurement that need to be addressed or accommodated in future, and
- of any issues or risks identified in the procurement strategy where further mitigation is required).

12. Integration/partnering - How well is the delivery of the proposed programme and related activities aligned and integrated? How does the business case give effect to ongoing partnering with operators providing services? Specifically, what issues are there (from a review of documentation provided and own knowledge) related to:

- how well any related public transport infrastructure is captured in both the RPTP (or alternative document/s) and any relevant AMP (both external and internal)
- the extent to which the delivery is optimised and timely in relation to any network changes, and
- the mechanisms in place for partnering with operators to ensure an effective public transport network (including related amenities) for the user.

Note: the investment partner should enter information on partnering mechanisms in the TIO funding application for the continuous public transport programme.

13. Evidence/testing of evidence - How robust is the approach to modelling/forecasting demand? What is the information provided that identifies:

- how robust the organisation's approach is for forecasting demand for services (for forecasted data and future performance measures generated from this)
- how evident and well documented this is, and
- how this compares to other organisations (peers).

14. Performance management - How is achievement against performance measures (both at the network and unit/contract level) being managed, and what evidence is available to demonstrate that benefits and KPIs previously identified have been achieved? Specifically, what is the information provided on:

- how performance is monitored:
 - at the network level against key KPIs (eg patronage)?
 - at unit/contract level against key KPIs in contracts (eg lateness, safety)?
- the achievement (against performance measures previously identified) and whether it is reasonable?

15. Confidence in delivery/risk management - What is the level of confidence that the programme can be delivered and risks managed? In particular, what is the information provided on:

- the proven track record of sound delivery with previous investments in the continuous programme and related activities (particularly in terms of timing and alignment/management of the funding allocation)
- the capability and the capacity of the organisation to deliver and manage the future programme and related activities, particularly in terms of adequacy of resourcing and skillsets available
- the extent to which risks have been adequately identified for the type/ complexity of the public transport network (and/or related activities), and
- whether a risk mitigation strategy is needed, particularly around the introduction and management of PTOM.

Note: the investment partner should enter information related to this question in the TIO funding application for the continuous public transport programme.