

SECTION B THE LAND TRANSPORT INVESTMENT SYSTEM

The specially created
'twin bridge bangers'
for the opening of the
Waitaki Bridges



THE LAND TRANSPORT INVESTMENT SYSTEM

This section describes the relationship between the National Land Transport Fund (NLTF) and the National Land Transport Programme (NLTP) and the role of the NZ Transport Agency in the land transport investment system (as shown in figure 1). More information about what the Transport Agency does and how its performance is measured can be found in the statement of performance for Management of the funding allocation system (page 100 of the *NZ Transport Agency annual report*).

NATIONAL LAND TRANSPORT FUND

The NLTF is a fully hypothecated (ring-fenced) transport fund made up of fuel excise duty, road user charges, a portion of the annual vehicle licensing fee, and income from the sale and lease of state highway property. This means that all the revenue collected from transport users is dedicated to investment in land transport.

The NZ Transport Agency Board has independent statutory responsibilities for the allocation and investment of the NLTF, which occurs through the NLTP.

NATIONAL LAND TRANSPORT PROGRAMME

The NLTP is a three-year planning and investment partnership between the Transport Agency, local authorities, NZ Police and transport sector stakeholders. It sets out the programme of transport activities the Transport Agency intends to fund to give effect to the Government Policy Statement on Land Transport (GPS).

The NLTP co-invests funds from NLTF, local government and the Crown (see figure 3) and contains all land transport activities that may be considered for investment during the three-year programme under activity classes for: public transport, road policing, road safety promotion, walking and cycling, and state highway and local road construction and maintenance. No transport activity can be funded from the NLTF unless it is in the NLTP.

INVESTMENT STRATEGY

The Government sets the strategic direction for the investment of the NLTF through the Government Policy Statement on Land Transport (GPS) and determines the funding range allocations to each activity class, thereby shaping the investment across modes and the transport system.

When developing the NLTP, the Transport Agency uses an Investment Assessment Framework to ensure that it gives effect to the GPS and to determine which activities will receive funding within the overall funding ranges.

The Investment Assessment Framework is a prioritisation tool that helps to optimise the mix of investments that represent the best value for money and contribute to the Government's priorities. When approved organisations, including parts of the Transport Agency and regional partners, develop proposals for the NLTP, they are expected to follow a four-stage business case approach. At each stage, the Investment Assessment Framework is used to ensure the proposal identifies the right issues and opportunities and puts forward appropriate responses that are eligible for funding through the NLTP.

Specifically, all proposals are assessed against three criteria:

1. **Strategic fit:** whether the benefits identified in a proposal align with the GPS results.
2. **Effectiveness:** whether the business case approach has been applied to ensure the best solution is put forward.
3. **Benefit and cost appraisal:** identifies all possible monetised whole-of-life costs and benefits.

This year, the development of the 2015-18 NLTP aimed to deliver more value to users of the transport system by:

- being clearer with investment partners about the outcomes to be achieved for users of the transport system
- optimising programmes to deliver these outcomes, by working with our partners to do the right things, at the right time, for the right price
- refining the balance of investment between the NLTF and local government through a review of Funding Assistance Rates.

The One Network Road Classification, which categorises roads based on the functions they perform as part of an integrated national network, ongoing improvements to the evidence base, and the new business case approach have also supported the drive to deliver more value.

FUNDING AND ASSESSMENT SYSTEM

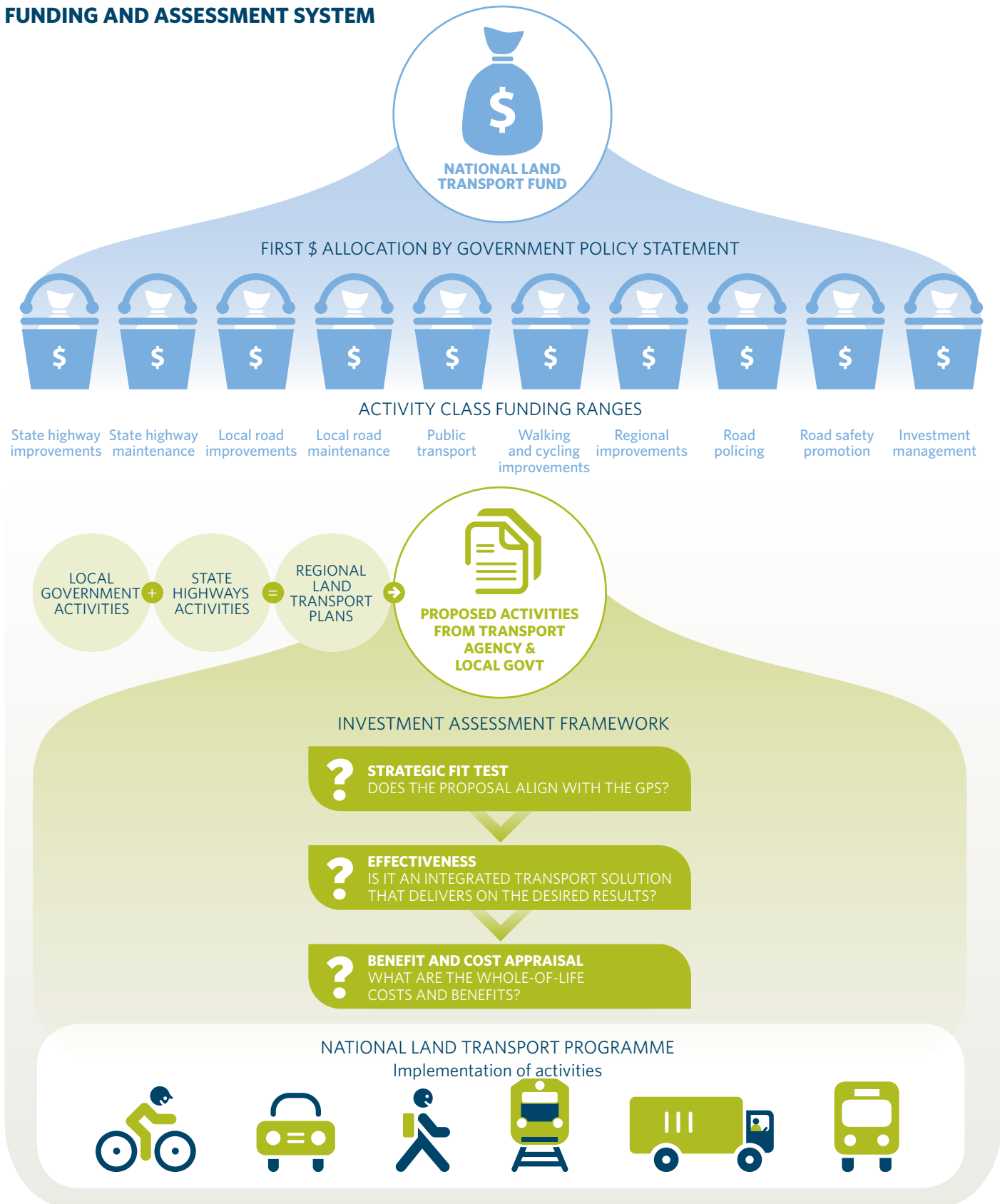


Figure 1 - National land transport funding and assessment system

TOTAL PUBLIC SECTOR INVESTMENT

Total investment in the land transport system for the three years ending June 2015, shown in figures 2 and 3, is estimated to be around \$15.4 billion. The NLTF invested \$9.3 billion of this expenditure, and the NLTP investment priorities accounted for \$11.9 billion, with the remainder made up of unsubsidised spending by local authorities (for example, works paid for by local rates), investment by government in rail and other transport initiatives, and contributions made by private developers to local roads.

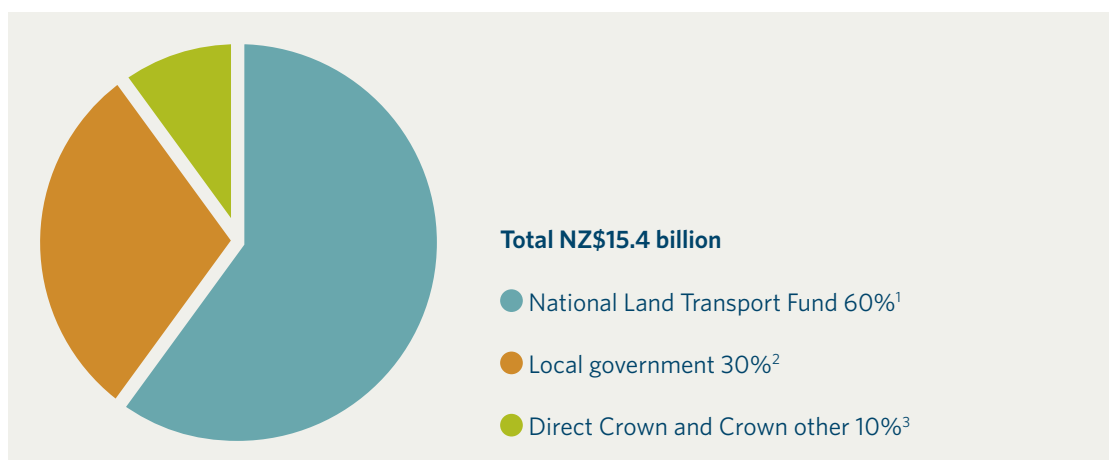


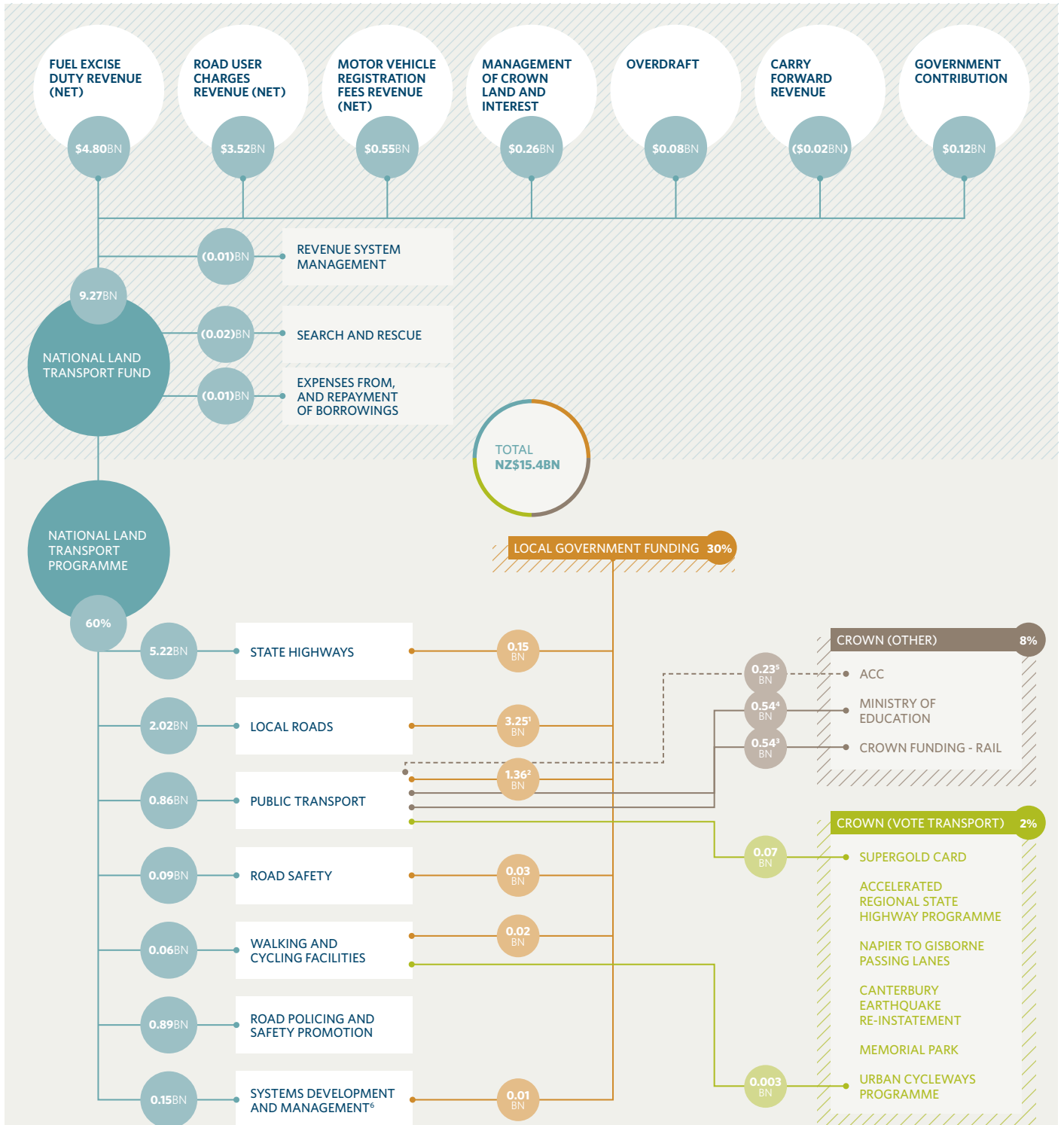
Figure 2 – Summary of total public sector investment in land transport over 2012-15

¹ Includes spending on road policing and road safety promotion

² Includes both subsidised and unsubsidised estimates of expenditure

³ Includes Crown spending on the Accelerated Regional State Highway Programme, passing lanes on State Highway 2 between Napier and Gisborne, the reinstatement of local roads in Canterbury, concessionary payments for SuperGold card, the Arras Tunnel under Memorial Park in Wellington and the Urban Cycleways Programme.

Other refers to investment in rail, estimates of spending by the Ministry of Education on school buses and ACC outlays on 'conveyance for treatment'.



¹ Made up of a subsidised amount of NZ\$1.62 bn plus an unsubsidised estimate of NZ\$1.65bn.

² Made up of a subsidised amount of NZ\$0.71bn plus an unsubsidised estimate of NZ\$0.65bn.

³ Rail funding for KiwiRail Turnaround Plan of NZ\$0.54bn.

⁴ Ministry of Education expenditure on school buses amounts to about NZ\$0.18bn per annum.

⁵ Estimated ACC expenditure of about NZ\$0.08bn per annum.

⁶ Systems development and management includes management of the funding allocation system, transport planning and sector research.

NOTE: An estimated NZ\$0.2bn of additional spending in walking and cycling facilities is included as an investment in state highways, local roads, road safety and systems development and management.

Figure 3 - Total public sector investment in land transport 2012-15