

MOVING TO A CO-INVESTMENT APPROACH

MAY 2014



What you need to know and do, by when – for developing plans as part of the 2015-18 NLTP

BACKGROUND

The Transport Agency is working closely with the sector to ensure the 2015-18 NLTP delivers the best outcomes it can to support a thriving New Zealand.

Working together, we've been changing how we work to deliver greater value to users of the transport system as part of a one network way of thinking. What this means in practice is planning and investing in the transport network as an interconnected system.

While we're making great progress, one area where we want to get a clearer shared view is around how we are co-investing together. This sounds simple but is actually a fundamentally different way of investing in transport.

CO-INVESTMENT IN PRACTICE

The examples below illustrate what one network thinking and co-investment looks like in practice as we continue developing the next NLTP:

PREVIOUS APPROACH	NEW ONE NETWORK CO-INVESTMENT APPROACH
Our network/their network	Whole of system/one network approach for users
Spending on transport to maintain the asset condition of the network at the same or better level	Co-investing in the transport system to deliver outcomes (essentially the four 'wellbeings' – efficiency, effectiveness, resilience, safety) through providing nationally consistent fit for purpose customer levels of service (CLOs) that deliver value for money
NLTP provides a subsidy for local programmes	NLTP is a nationally prioritised co-investment programme
Funding assistance rates (FAR) and NLTP should subsidise the cost of delivering the network condition we have or want	FAR and NLTP will support investment in a fit for purpose network and CLOs. Councils can choose to invest more to get a higher level of service if they want and can afford this
Councils work independently to address problems on their part of the network	Working with our partners to address network problems in the most effective way and to leverage off each other

WHY IS A CO-INVESTMENT APPROACH IMPORTANT?

This approach will help optimise investment in the whole of the transport system and deliver greater value for money. For example:

- Being clear on the **outcomes and priorities** we want to achieve for users of the transport system.
- Working together to do the **right things at the right time for the right price** – optimising programmes so they deliver the outcomes and improve the transport system for users.
- Getting the **right balance of investment** between direct land transport system users and ratepayers. This is where the co-investment approach really applies.

HOW DO WE MOVE TOWARDS A CO-INVESTMENT APPROACH?

We have a number of building blocks that come together to support this change in approach. They require us all to understand the changing context and environment, challenge how we currently do and think about things, challenge some of our systems that have been in place for a long time, revisit our assumptions and set the new frameworks for the future.

- We've adopted the **Business Case Approach** to how we plan and invest in transport. This means that right from the start of the process, proposals are based on an agreed strategic case for investment and fully considers benefits, options and alternatives before we commit to any solution.
- This approach, and a focus on maintenance and operations expenditure working with the **Road Efficiency Group**, helps drive value for money, delivering the right things at the right time for the right price so programmes efficiently deliver the outcomes and improve the transport system for ratepayers and road users.
- The **One Network Road Classification** (ONRC) will support investing in a fit for purpose level of service (LoS) consistently across the country. Councils can still choose to invest more to get a higher LoS if they want - we're talking with a number of councils about how this can happen. As part of this, we need to be really clear about which activities and LoS can be funded through the NLTP, and what councils might need to pay for over and above this. This will be shaped by applying the ONRC to identify gaps and considering how activity management plans (AMPs) will provide an appropriate level of service, as well as using the Transport Agency's investment prioritisation framework.

- We've been reviewing the **FAR** system to get the right balance of investment between direct land transport system users and ratepayers.
- When making investment decisions, we'll use our updated **investment assessment framework** and a three pronged multi-criteria approach to ensure that our investment delivers value for money through focusing strategically on the right things (strategic fit) and is delivered through the best and most effective interventions (effectiveness and efficiency – cost benefit ratio and benchmarking).
- We've been improving our evidence base to support all of the above activities, as we continue to work together to identify and optimise investments.

RESOURCES AND TOOLS

- The NLTP timeline (A3 overview) – outlines key timeframes, actions and guidance for working together to develop RLTPs and the NLTP.
- New factsheets covering AMPs and ONRC, Public transport investment, RLTPs and Developing and optimising NLTP programmes.

TIMING

Programmes should be progressively optimised and tested between now and early 2015 as outlined on the NLTP timeline (A3 overview).

Visit our KnowledgeBase (<https://www.pikb.co.nz/>) for information about the way we work, including our planning and investment principles; and for detailed guidance on developing RLTPs and applying the business case approach.

You'll need to register to get notifications of updates.