

Government Policy Statement on land transport (GPS) 2018 Year 1 Report

Year 1 (2018/19) – Value for money

The Government Policy Statement (GPS) on land transport 2018 has long-term results of **better informed investment decision-making** and **improved returns**.

INVESTMENT AND GPS

Aligning investment with GPS priorities

The National Land Transport Programme (NLTP) is expected to align with the GPS priorities. In 2018/19, \$2.9 billion, or 59.1% of National Land Transport Fund (NLTF) investment, went towards the Access priority (including Access, Choice, and Resilience). The overall investment was 7% below the planned amount (or budget) when the programme was adopted in June 2018¹.

GPS priority	NLTP investment in 2018/19	% of NLTP investment
Access: Access	2,481,961,154	51.1%
Access: Choice	327,806,190	6.7%
Access: Resilience	61,515,225	1.3%
Safety	1,342,943,969	27.6%
Environment	646,917,806	13.3%
Total for approval	4,861,144,344	100.0%

Data source: Waka Kotahi. Based on the estimated investment levels from the NLTF, local share and the Crown and excludes Investment Management and the Provincial Growth Fund.

Assessments used in investment decisions

Waka Kotahi assesses and prioritises proposals (from priority order one to priority order eight) based on two factors:

1. How closely the proposal's investment results align with the GPS 2018 priorities, and
2. Efficiency, based on cost-benefit appraisal, usually reported as a benefit-cost ratio (BCR)².

¹ More detail about NLTP spending in 2018/19 is available at <https://www.nzta.govt.nz/assets/resources/annual-report-nzta/2018-19/nltf-annual-report-2019.pdf>

² More detail about how Waka Kotahi prioritises proposals is available at <https://www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/2018-21-nltp-investment-assessment-framework-iaf/prioritisation-of-activities/>

The table below outlines the amount of approved funding (and number of proposals/assessments contributing to this) for 2018/19 by both priority order and activity class³.

Approved 2018/19 funding by activity class				
	Public transport	Rapid transit	Walking and cycling improvements	Local road improvements
Priority 1	\$239,859,955 (2)	-	\$23,616,000 (4)	\$9,767,483 (3)
Priority 2	\$4,872,000 (2)	-	-	\$62,208,410 (2)
Priority 3	\$106,856,713 (4)	-	\$18,983,000 (5)	\$297,622,322 (13)
Priority 4	\$214,702,306 (8)	\$44,000,000 (2)	\$51,514,516 (6)	\$81,634,130 (7)
Priority 5	\$28,136,740 (10)	-	\$25,123,950 (8)	\$215,939,369 (9)
Priority 6	\$4,444,168 (1)	-	-	\$3,249,622 (3)
Priority 7	-	-	-	-
Priority 8	-	-	-	-
Total	\$598,871,882	\$44,000,000	\$119,237,466	\$670,421,336

Approved 2018/19 funding by activity class				
	Regional improvements	State highways improvements	Road policing	Promotion of road safety and demand management
Priority 1	\$2,183,810 (1)	-	-	\$750,000 (1)
Priority 2	\$105,000 (1)	\$51,466,673 (7)	-	\$14,172,919 (7)
Priority 3	-	\$8,415,999 (11)	-	\$764,040 (3)
Priority 4	-	\$107,057,497 (3)	-	\$2,132,002 (2)
Priority 5	\$13,665,510 (5)	\$48,289,528 (11)	\$1,720,000 (1)	\$850,000 (1)
Priority 6	\$22,790,053 (2)	\$7,631,451 (6)	-	\$4,769,235 (2)
Priority 7	-	-	-	-
Total	\$38,744,373	\$222,861,148	\$1,720,000	\$23,438,196

Approved 2018/19 funding by activity class				
	Local road maintenance	Investment management	Transitional rail	Total across all activity classes
Priority 1	-	\$5,567,738 (7)	\$193,500,000 (2)	\$475,244,986
Priority 2	\$4,039,920 (2)	\$131,336,500 (7)	-	\$268,201,422
Priority 3	-	\$37,722,068 (29)	-	\$470,364,142
Priority 4	\$8,000,000 (1)	\$2,453,127 (7)	\$2,145,484 (2)	\$513,639,062
Priority 5	-	-	\$5,425,634 (5)	\$339,150,731
Priority 6	-	-	-	\$42,884,529
Priority 7	-	\$260,332 (2)	-	\$260,332
Total	\$12,039,920	\$177,339,765	\$201,071,118	\$2,109,745,204

³ The State Highway maintenance activity class is not included here because it follows a different process and is bulk-approved by the Waka Kotahi Board. Similarly, emergency works are funded as and when they arise, initially to re-open the road/rail/service and secondly to re-instate the pre-existing level of service. In re-instating or improving the level of service, the project may have to go through the prioritisation process. All of this is treated on a case by case basis.

Data source: Waka Kotahi. Note that these numbers only refer to the budget approved in the given financial year not the actual spend (which may be in a different financial year).

Investment in activities with a BCR of less than one

The GPS 2018 (p. 22) states that “in delivering value for money, investment decisions need to transparently demonstrate the... reason for the decisions, especially where there is a benefit cost ratio lower than would normally be required for inclusion in the National Land Transport Programme (NLTP)”.

In 2018/19, one project with a BCR of less than one (not including investment in activities where BCRs are not required such as Road Policing activities) was approved. Investment in this activity was approved due to its high results alignment in contributing to GPS outcomes and long-term strategic initiatives, and to co-fund government investment in regional development.

Project name	\$ investment	Reason for BCR<1
Hamilton to Auckland Trial Rail Service, including: <ul style="list-style-type: none"> • Huntly Station (Start Up Rail Service) • Operational phase of start-up passenger rail service • Rolling Stock Refurbishment and Maintenance Facility • The Base Station (Start Up Rail Service) 	\$5,022,406	Trial service with high results alignment. A successful trial would give impetus to wider corridor spatial planning “unlocking” significant additional benefits.
Total	\$5,022,406	-

Data source: Waka Kotahi.

Projected benefits for implementation activities at time of funding approval

The following table shows the projected monetary benefits at time of approval (undiscounted) by primary benefit type. Only primary benefits, not co-benefits, are captured. Benefits link to the estimated benefits for each project, broken down by benefit type (rather than by activity class).

The table shows that implementation activities were expected to result in approximately:

- \$3.9 billion of network access benefits
- \$3.0 billion of network reliability benefits
- \$2.3 billion of network throughput benefits
- \$682.5 million of safety benefits
- \$468.5 million of network travel benefits
- \$13.2 million of physical health benefits
- \$2.6 million of network resilience benefits

These figures are provided as part of the business case during the funding approvals process. Information is available for improvement activities only and excludes continuous programmes (e.g. public transport, maintenance) and low-cost, low-risk investment.

Primary benefit	Estimated value of benefits at time of approval
Network – Access	\$3,912,727,022
Network – Reliability	\$2,986,006,073
Network – Throughput	\$2,348,316,195
Safety – Safety	\$682,532,289
Network – Travel	\$468,548,473
Health – Physical	\$13,229,372
Network – Resilience	\$2,637,454

Data source: Waka Kotahi. These figures cover the current NLTP only.

INVESTMENT MANAGEMENT

Cost of investment management

In 2018/19, Waka Kotahi spent \$58.2 million, or around 1% of NLTP expenditure, to manage and allocate NLTF funding via the Investment in the Funding Allocation System (IFAS).

	2015/16	2016/17	2017/18	2018/19
\$ investment in investment management	\$61,067,727	\$61,999,329	\$60,289,380	\$58,212,121
Total cost of managing the funding allocation system as a percentage of NLTP expenditure	1.1%	1.0%	0.9%	1.0%

Data source: Waka Kotahi. Investment includes funding from the NLTF and Crown, but excludes the local authority funding contribution for investments in local transport activities.

MONITORING AND REPORTING

The GPS 2018 measures noted the development and publication of a report against the GPS results (i.e. this report) as well as the release of the new road safety strategy [Road to Zero](#) which was released by the Ministry at the end of 2019.

Development of a monitoring and evaluation system for investment decisions

All Waka Kotahi [investment decisions](#) (new approvals) and post-implementation (benefit realisation) reviews are published online. In 2018/19, Waka Kotahi published 380 investment decisions and [four post-implementation reviews](#) on their website.

Data source: Waka Kotahi.

IMPROVED RETURNS FROM ROAD MAINTENANCE

GPS 2018 has a specific short-term result of improved returns from road maintenance.

Maintenance cost per lane kilometre for state highways is calculated by dividing the amount spent on the maintenance of state highways by the total number of lane kilometres in the network. This is adjusted for inflation based on the network outcomes index.

Maintenance cost per lane kilometre for local roads is calculated by dividing the amount spent on the maintenance of local roads by the total number of lane kilometres in the network. This includes maintenance operations and renewals (excluding emergency works) and is adjusted for inflation based on the network outcomes index.

	2015/16	2016/17	2017/18	2018/19
\$ investment in state highway maintenance	\$461,015,574	\$644,216,289	\$1,162,131,860	\$824,006,628
Maintenance cost per lane kilometre delivered for State highways	\$19,389	\$19,284	\$24,705	\$22,997
\$ investment in local road maintenance	\$966,551,461	\$1,024,977,129	\$1,084,079,533	\$1,178,345,435
Maintenance cost per local road lane kilometre delivered	\$2,919	\$2,910	\$3,095	\$3,455

Data source: Waka Kotahi. Investment includes funding from the NLTF and, where applicable, local share. Note that this table focusses on spend whereas the earlier tables focus on approvals.

Notes for reading this report

- Data is provided by financial year where available, and is otherwise provided by calendar year.
- Where available, data is provided for the most recent year (i.e. 2018/19) plus the three years covered by the previous GPS, GPS 2015 (i.e. 2015/16, 2016/17, 2017/18), to provide baseline. In some cases historical data is not available and is therefore not included in the report.
- Input or investment measures (i.e. \$ invested in X) are based on Waka Kotahi's Transport Investment Online (TIO) system and include funding from the National Land Transport Fund (NLTF), Crown funding, and, where applicable, local share. It does not include money from the Provincial Growth Fund (PGF). The numbers are therefore not comparable with the Waka Kotahi-produced NLTF annual report which does not include local share but does include PGF.
- Land transport activities that are proposed and delivered by approved organisations (e.g. local road maintenance, local road improvements, public transport) are delivered by the local authority with funding assistance from the NLTF. The amount that Waka Kotahi co-invests from the NLTF in local activities is largely determined by the funding assistance rates (FARs) applicable to approved organisations. Approved organisations raise their local share from rates revenue, debt, developer contributions or other financial contributions and revenue.
- Numbers are provided to one decimal place where available to the Ministry.