

Investment Prioritisation Method for the 2021-24 National Land Transport Programme

Frequently asked questions

The questions and answers provided here are for people who are involved in developing or reviewing investment proposals for the 2021-24 National Land Transport Programme (NLTP).

Applying the IPM to create a prioritisation profile

1. When do I need to apply the new Investment Prioritisation Method (IPM)?

Investment prioritisation takes place when a proposed activity, or combination of activities, is put forward for inclusion in an NLTP, whether this is during its development or during the point of entry process, as a variation to an existing NLTP.

The same factors are applied when the priority order assigned is reconsidered after a business case is presented for endorsement and a funding decision is requested, in order to check that the activity is above the investment threshold.

The Board sets the investment threshold based on the funding range for the activity class as set through the Government Policy Statement on land transport (GPS), the amount of funds available in the National Land Transport Fund (NLTF), and the prioritised activities within the activity class. The investment threshold indicates the extent to which funds are available for those activities.

2. How will the IPM be used for developing the 2021-24 NLTP?

We'll use the IPM to develop a prioritisation profile, which is used to decide whether an activity, or combination of activities, should be included in the 2021-24 NLTP i.e. activities having a priority order above the investment threshold for a given activity class will be included. Note that inclusion in the NLTP does not automatically ensure that an activity or combination of activities will get funding approval.

3. Will activities included in the 2018-21 NLTP need to be reviewed again under the IPM? What about activities approved for funding in a previous NLTP?

No, in general, any activity phase that is already 'funding approved' in the 2018–21 NLTP will be treated as 'committed', i.e. these will not be required to be reviewed under the new IPM, and will be automatically included in the 2021–24 NLTP.

However, where an activity phase has approved funding (denoted as 'committed' in Transport Investment Online) in the 2015–18 NLTP or an earlier NLTP, we may request the project owner to reassess the activity phase using the new IPM. Waka Kotahi reserves the right to overturn funding approval/commitment should the activity

be below the investment threshold for the 2021–24 NLTP and not been progressed in its delivery.

Activity phases included in previous NLTPs (e.g. denoted as 'Included in NLTP 2018–21' in Transport Investment Online) that do not have funding approval, must be reviewed based on the new IPM in order to be considered for inclusion in the 2021–24 NLTP.

4. How do I apply the GPS Alignment factor to a combination of activities within an activity class?

We developed the criteria within the GPS Alignment factors to be mostly applicable to any activity class. That said, some criteria are quite specific to an activity type, particularly with respect to public transport, walking and cycling, and safety.

We would not expect activities in the Local Road or State Highway Improvements activity classes to be prioritised on the specific walking and cycling or public transport criteria provided in the GPS Alignment table. Activities expecting to deliver on specific modal criteria would be expected to be in the Walking and Cycling or one of the Public Transport activity classes.

Similarly, we wouldn't expect an activity proposed for the Road to Zero activity class to be prioritised on the Better Travel Options strategic priority criteria (although it is possible for the safety criteria to be applied within other activity classes, if the activity is not part of the Road to Zero programme).

For example, prioritising a road improvement activity in the Local Road Improvements activity class using the specific walking and cycling criterion "*New walking/cycling link forms part of a large or major urban area network*" would be inappropriate. The mode shift or access to economic or social opportunities criteria would be more appropriate in this instance.

5. When should I use the Indicative Efficiency Rating (IER) tool?

In the early stages of developing a proposed activity, there may not have been detailed consideration of the cost and the quantification of benefits. In these cases, the IER tool should be used to calculate the efficiency rating for the investment prioritisation profile.

The introduction of the IER tool means that a rough preliminary estimate of the efficiency rating can be made based on the known attributes of the proposal and could result in a quicker and more reliable estimate than looking at similar investments.

An activity that is part of a programme or package previously endorsed by Waka Kotahi may be assigned the GPS Alignment and Efficiency rating of that programme or package.

Background to the IPM

6. What is the IPM?

The IPM was developed by Waka Kotahi to reflect and give effect to the government's transport priorities in the Government Policy Statement on land transport (GPS).

We use the IPM to assess and prioritise projects for inclusion in the 2021-24 National Land Transport Programme (NLTP). The IPM replaces the Investment Assessment Framework used for the 2018-21 NLTP.

It helps approved organisations understand how their projects will be prioritised under the GPS 2021 and frame-up their Regional Land Transport Plans (RLTPs).

7. How does it fit within the Investment Decision-Making Framework (IDMF)?

The IPM is a key part of the IDMF and helps guide investment decisions. It is the framework through which we prioritise and order the activities submitted by councils and others for funding through the NLTP against the government priorities and activity classes set out in the GPS.

The IPM sits alongside business case development, assessment for investment, endorsement and the funding decisions themselves.

8. Why do we need an IPM?

Waka Kotahi is required to prioritise activities in the 2021-24 NLTP. Prioritisation takes place when a proposed activity, or combination of activities, is put forward for inclusion in an NLTP, whether this is during the development of the NLTP or during the Point of Entry process, as a variation to an existing NLTP.

Use of the IPM will ensure investments in land transport infrastructure and services deliver the outcomes and priorities that the Government has set out in the GPS.

9. How does the IPM differ from the 2018-21 Investment Assessment Framework?

The IPM now has three factors that determine the priority order of an activity, in the previous NLTP there were two factors. The three factors are:

- GPS Alignment: Indicates the activities' alignment with a GPS strategic priority.
- Scheduling: Indicates the criticality and interdependence of the activity with other activities.
- Efficiency: Indicates expected return on investment and considers the whole of life costs and benefits through cost benefit analysis.

We developed a new indicative efficiency rating (IER) tool, for those activities which do not yet have a calculated Benefit-Cost Ratio (BCR). The IER replaces the L* rating in the 2018-21 IAF.

10. Why was it necessary to make these changes?

The change was part of the wider review of the framework that guides investment in the land transport system – the Investment Decision-Making Framework (IDMF). The IDMF was reviewed to ensure consideration of all land transport modes and alternatives in its planning and investment decisions, and to ensure the IDMF reflects government expectations around social, economic, cultural and environmental outcomes in transport planning. At the same time, we sought to ensure the IDMF was easy to use and understand and supports delivery of a better transport system.

We reviewed our approach to investment prioritisation to align with the priorities in the GPS 2021 and in response to input from the sector as part of the IDMF review.

11. How did you respond to feedback on the draft IPM?

All the feedback we received was summarised, assessed and where appropriate included into the final IPM.

A summary of feedback is available at www.nzta.govt.nz/planning-and-investment/planning/investment-decision-making-framework-review/investment-prioritisation-method/

12. Will the new IPM impact the amount of funding available?

The changes will not impact on available funding for land transport projects. Funding availability is determined by revenue received into the NLTF, as well as previous commitments to fund investments where the expenditure spills over from one NLTP to the next. Funding levels for each activity class are set by the GPS.

Further information

13. Where can I go for more information?

We want to ensure you can confidently apply the changes where needed. You can contact your investment advisor who is available to help and answer your questions.

More information, and the IPM document, is available at www.nzta.govt.nz/planning-and-investment/planning/investment-decision-making-framework-review/investment-prioritisation-method

If you have any additional questions, you can email the team on decisionmaking@nzta.govt.nz