
PERFORMANCE IMPROVEMENT FRAMEWORK

Follow Up Review of the New Zealand Transport Agency (NZTA)

OCTOBER 2012

State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

Lead Reviewers' Acknowledgement

The assistance and cooperation extended by the Board and Chief Executive of the New Zealand Transport Authority (NZTA), its staff and a range of stakeholders are appreciated.

**Performance Improvement Framework
Follow Up review: New Zealand Transport Agency**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet
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PIF FOLLOW UP REVIEW

It is important to understand the context within which the Performance Improvement Framework (PIF) is being delivered. There are two developments driving change across the public sector. The first one is that everywhere across the world people are under some fiscal constraint of one sort or another, some more severe than others. What that means is that there isn't a lot of money around to fund services, so people have to look really hard at how they get the best value from the dollar they've got. The second big development is that people's expectations, citizens' expectations, are rising. People want to interact with government in a different way. People's expectations of the sorts of services they can get from government are changing. It's partially a generational thing, there is a huge change coming in terms of the way individuals want to access services. But, more critically, people expect more from their tax dollar. These two things in particular are driving the need for the State Services to do things differently. The changes we made in the late 80s and early 90s were world leading. They had lots of strengths but they had lots of weaknesses. While PIF builds on the strengths of those early reforms the stated aspiration is to take New Zealand from having a good public service, which it has today, to a great public service in the future.

The New Zealand public service is already number one in the world for the absence of corruption. Senior leaders in the State Services want to lift performance in a number of other areas to make sure we have the best public service in the world. PIF is a key tool to enable public servants to do just that. At its heart a PIF is a review of agencies' fitness-for-purpose as they prepare for the challenges in the future. It looks at the current state of an agency, then how well placed the agency is to deal with the issues that confront it in the near future. It looks at the areas where the agency needs to do the most work to make them fit-for-the-future. And, because change does not happen overnight, the PIF is evolving to assist chief executives and Chairs beyond their first report. The PIF Follow Up review is a stock take of the progress the agency has made since its initial review. It is another example of the public service taking ownership of its own continuous improvement and using the PIF to do its job better. As with the first reports, these reports are published. That way the public can have confidence that the public sector is continuing to improve its performance year in and year out.

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INTRODUCTION

A PIF review of NZTA was conducted in 2010. While the review commented positively on the agency's achievements and recognised the particular challenges of bringing three organisations into one, it also identified a number of areas for improvement.

Following discussions with NZTA and the central agencies, a plan was drawn up to guide action on the Lead reviewers' recommendations. Seven key areas were identified as the focus for the Follow Up review.

This Follow Up review was undertaken between June and July 2012.

It summarises the actions taken on the 2010 PIF recommendations at a high level, makes detailed comment on the identified seven areas for follow up and comments on NZTA's current situation and future outlook. A list of interviews undertaken during the Follow Up review is in Appendix A.

David Moore
Lead Reviewer

Garry Wilson
Lead Reviewer

AGENCY'S RESPONSE

I welcome the outside-in perspectives and conversations with the Lead reviewers on this Follow Up review of the 2010 PIF review. The findings help identify where additional emphasis will improve performance and will help shape how we prepare for the future.

The underlying challenge is to fully embed within NZTA a climate of continuous performance improvement. Key enablers of this include high levels of staff engagement, leadership behaviours that encourage individuals and teams to create innovative solutions, flexible processes that enable people to do the right thing easily, as well as strengthening our feedback from customers, partners and stakeholders so we can maintain continuous improvement momentum.

Good progress has been made since October 2010 particularly in the areas of organisational alignment, joined-up planning and delivery with transport sector stakeholders, value for money in service delivery, and in customer orientation particularly for transactional services and State highway travellers. The Lead reviewers identify that NZTA is well governed and our leaders well regarded. An important part of our challenge is to keep reaching out with our transport partners to ensure we focus on the achieving the transport outcomes we are committed to.

To this end the Board and Senior Leadership Team will focus on the areas for follow up set out in the report:

- a Maturing the funding and revenue approach
- b Continuing the pursuit towards excellence in delivering a safer land transport system
- c Ensuring better regulatory solutions with the Ministry of Transport (MoT)
- d Continuing to improve relationships with local authority transport partners
- e Being results orientated, and
- f Developing the agency's long-term capability.

Maturing the funding and revenue approach

The current separation of revenue and expenditure forecasting responsibilities for the National Land Transport Fund (NLTF) between NZTA and MoT is less than optimal in terms of overall funds management and is not helpful in terms of managing the Crown's fiscal risks. We will work with central agencies and MoT to identify opportunities to improve revenue forecasting, and with local government partners to identify co-investment and cash management initiatives.

Continuing the pursuit towards excellence in delivering a safer land transport system

The NZTA has a long and effective history of delivering well developed work packages that deliver outcomes. The Safer System approach that underpins the government's *Safer Journeys* strategy drives our approach to embed safety into everyday decision making, supported by targeted interventions. We will continue to focus our efforts on improving intervention logic and delivery, and building the right culture across the NZTA and broad ownership across the sector to drive direction.

Ensuring better regulatory solutions with MoT

NZTA and MoT joint vehicle Licensing Reform project is working effectively and allows each agency to play its role and bridge the policy and operations dimensions of developing smarter and simpler

services. The real test of the success of the project will be as the project moves beyond problem definition and option selection to finalising policy response and implementation planning. Our focus will be on effective implementation so that we can deliver results in a timely way.

Continuing to improve relationships with local authority transport partners

Our relationships with local authorities intersect on a range of dimensions including transport planning, investment, and the broad spectrum of network management services. The joint traffic management operations centre in Auckland, the Upper North Island freight planning, and network operating plans are examples of creating value and provide seamless services. We see all these as templates to be translated into other contexts where our local authority partners and the NZTA see additional value can be created. We will work with local authorities and transport stakeholders towards finding the right solutions to manage future road maintenance, operations and renewals costs. We will develop a consistent national view of all transport networks and functions and ultimately levels of service. As part of this we will share more widely our funding and investment analytical and decision making processes.

Being results orientated

Our aim is to further develop the desired results for each of our four main functions to inform decision making, and to continue to refine what success looks like in customer as well as technical terms to help us be achievement as well as action orientated.

Developing the organisation's long-term capability

We are on a path to building a more effective organisation that will sustain high performance over time. Internal initiatives underway to support this include redeveloping our Organisational Development Strategy (medium-term direction to sequence and deploy our resources in an agile way to turn strategy into action) and improving our business planning. The Lead reviewers have identified we have more to do to lift staff engagement consistently across the whole agency. This will be a Senior Leadership Team priority.

The Lead reviewers also point out the considerable challenge ahead of us to implement successfully an enterprise resources planning system, that includes financial, project, and programme management functions. An integrated system, rather than coordinated set of separate systems, has the potential to realise significant value, provided it is well led and resourced. The Senior Leadership Team is up for the challenge.

Holding ourselves to account

The approach of the initial PIF review required the NZTA to produce an action plan to address specific recommendations. The Follow Up takes a different approach, and is more about providing insight for future emphasis. Our approach is to ensure our direction and planning focus NZTA's resources and efforts into the areas set out in our response. The Senior Leadership Team will review progress as part of our operating reviews each quarter and in the quarterly performance reporting and dialogue with the Board. Ultimately the pace and level of future progress will be known from the results achieved and our ability to sustain high performance.

Geoff Dangerfield

Chief Executive

EXECUTIVE SUMMARY

NZTA has worked extremely hard to address the issues raised in the 2010 review, with some notable achievements. The Senior Leadership Team is (with one addition) the same leadership team as at the time of the initial PIF review and is well respected; the Chief Executive is the same, and is very well regarded; and Ministers have continued to strengthen the Board, which is now well balanced.

NZTA is confronted with a number of challenges not least of which is the limited availability of funding for its planned levels of activity. There are three contributing factors to this issue subsequent to the last PIF review, as follows:

- a a reduction in petrol tax income and in Road User Charges (RUC) income owing to less than expected road transport use
- b an uncertain call on funds to rebuild roads in Christchurch, with a probable spend in the order of \$900 million (there is considerable uncertainty around this spend), and
- c two spreadsheet errors in the MoT revenue forecasting model reducing expected funds by \$120 million and \$90 million respectively.

All stakeholders are well aware that there is likely to be a very tight budget for NZTA for a number of years ahead. NZTA has communicated this well and this common understanding is a good base from which to look for any possible efficiency gains or alternative funding sources. NZTA is seeking additional revenue from a range of sources, including looking at the PAYGO foundation of the current system.

This report will necessarily focus on 25% of the issues we have identified as worthy of further comment. In doing so, we recognise that 75% of the issues identified in the previous PIF review have been addressed, and that 75% receives much less comment.

Highpoints we identified are as follows:

- a a much clearer expression of the marginal investment choices, including the ability to take decisions on weighting of economic efficiency and safety in the project portfolio
- b close analysis of the highway network by full implementation of KiwiRAP
- c development of the very positive interface with Auckland Transport, including development of an operations-oriented joint venture to oversee highways and arterial routes in a joined-up manner (JTOC)
- d facilitation of the upper North Island freight strategy in a manner that seems to have gained wide acceptance from stakeholders
- e recruitment of a new management team into Access & Use and consequent adoption of a business re-engineering approach, with a significant focus on client service
- f implementation of improved register functions using up-to-date technology for significantly less than the cost of the initial proposal
- g implementation of integrated ticketing in conjunction with Auckland Transport, and
- h rapid delivery of RONS (Roads of National Significance).

Our key areas for improvement (addressed in the following section) which are higher-level issues are as follows:

- a funds management and forecasting needs to be seen as the role and function of NZTA in both the medium and long term as well as in the short term,
- b the Safer System approach needs to be further emphasised, with a focused review of the regulatory system and how it impacts our safety outcomes. As part of this, the regulatory aspects of Access & Use need to be more closely aligned. The internal championing of the Safer System approach appears to be variable and in some places inadequate,
- c NZTA and MoT need to work jointly to provide better regulation,
- d the interface with local authorities needs considerably more work, and
- e NZTA needs to further clarify its multiple objectives and find a better way of explaining quite difficult trade-offs in network utility and client efficacy (ie, efficiency of freight and passenger choice).

Other significant implementation issues are noted but are more “management and process” in nature:

- a Culture and change in Access & Use, and
- b Management of three converging work streams, including: implementation of the Enterprise Resource Management (ERP) software project (which is a proposed extensive SAP business software renovation of a suite of major agency business support systems), re-engineering in Access & Use and full implementation of the transaction processing systems.

We have some suggestions of areas for improved Board oversight as follows:

- a IT and business re-engineering oversight, including ERP – ERP is under-costed and far more wide-reaching than the proposal in process two years ago. We are not convinced that the Board fully understands the extent of the planned changes, – which are more in line with an enterprise resource programme of activity rather than the initial starting point, a Financial Management Information System (FMIS)
- b Funds management perspective – the Board is currently closely managing the expenditure line with a mix of initiatives over a range of horizons. The revenue line is given some attention, particularly in the short term but there is considerable reliance on the MoT forecast. We would like to see all the threads of forward management of financial commitments and revenue brought together much more comprehensively, and
- c Rethink the clarity of agency objectives across difficult topics, such as network utility and efficacy, and revisit performance reporting – we think there is a way of more clearly expressing the performance of the agency (this will not be easy but might add clarity to agency purpose).

On value for money, transaction costs are reducing and the merger savings were achieved but there are still some questions to ask. Areas we have identified are as follows:

- a Internal projects are not always fully costed. Project teams are put in place and staff are assumed to be a free resource. We would recommend moving to at least some rudimentary costings of these internal projects

- b There is clearly some efficiency to be gained from the maintenance review although maybe not as much as has been estimated
- c There are two “tail end” issues from the last PIF review. Integrated ticketing is still a work in progress, and
- d Feedback loops and post-implementation reviews are not as prevalent as we hoped – there are some but not enough; and they would be useful discussion points with other agencies, such as The Treasury.

Conclusion

Considerable thought and effort has gone into improving NZTA’s performance since the initial PIF review. We identify some areas for improvement but these areas are largely development of existing themes, rather than anything new. To a considerable extent, NZTA has addressed or is addressing the areas we identified in 2010.

NZTA is, in general, fit-for-purpose in terms of its business model, organisational structure and capacity to change. It has a well resourced Senior Leadership Team and has full awareness of the task in front of it. The Board holds the senior management team fully accountable in an appropriate manner.

FOUR-YEAR EXCELLENCE HORIZON

Environment

NZTA provides key infrastructure and transport services that are at the heart of the Government's economic development agenda. The four-year challenge for NZTA is to be able to provide a 20-25-year investment perspective across a wide range of topics:

- a key infrastructure and transport services
- b reflecting emerging views about the functionality of regional networks
- c the changing priorities across national roads but also local roads (and subsidy levels), and
- d safety, passenger transport options and freight efficiency.

To do this NZTA needs to think actively within the context of revenue and expenditure flows from its hypothecated fund and not take the activity classes as a given. NZTA needs to be able to articulate its objectives of reducing congestion, widening transport options and building network resilience in different ways to the ways it does now.

Implementation of appropriate strategies will be limited by available funding resources, existing roading and public transport commitments, the pressures of rebuilding Canterbury and the need to develop improved coordination and cooperation with local roading authorities.

NZTA operates on a PAYGO basis, ie, monies received and spent in each year need to substantially balance. (At the time of writing this report NZTA had only limited authority to borrow to smooth its cash flows.) This means that road and public transport users in a particular year fund the full amount of the investments made during that same year. High-return projects are often delayed until funding can be released and expenditure on high-cost projects is necessarily phased over multiple years.

NZTA has argued that this funding environment is appropriate only:

“if the network is neither contracting or expanding, the conditions of pavements and structures (such as bridges) is neither improving nor deteriorating, and where the annual expenditures in connection with the (roading) assets do not vary in any significant way over time”.

These conditions do not apply currently and NZTA has initiated a debate about the continued appropriateness of the PAYGO approach. NZTA has suggested in its briefing to the incoming Minister of Transport that it might be more appropriate to utilise the strength of the NZTA future cash flows. NZTA could then more flexibly align expenditure with debt on major projects and align benefit realisation with debt repayment.

The debate is an important one in setting the scope of activities NZTA can contemplate for funding over the next few years. The debate will obviously involve a wide discussion of the benefits and advantages of this suggested approach, in the context of the Government's broader debt objectives. Until the debate is resolved there will continue to be a need to constrain expenditure within the projected funding levels.

The pressures and costs of rebuilding Canterbury is a material unknown for NZTA (and the nation). The quantum of the spend on the roading system is still uncertain but the costs are likely to exceed current provisions (\$900 million over the next five or six years) and will place pressures on current or desired funding commitments if the PAYGO constraint continues. There is a need to continue the work to further clarify the cost of repair, which is typical of an earthquake zone at this stage of recovery.

NZTA has initiated some excellent work with local authorities in seeking to ensure better coordination, closer cooperation in establishing priorities and joint contracting and specifying processes. The potential to deliver better value for money is recognised by both NZTA and the local authorities but changes will need to be coordinated and developed. Within the four-year period we would expect to see this project delivering the benefits of a significantly more coordinated approach to local roading.

Finally, NZTA recognises the need to identify better administrative processes in areas such as registry management and regulatory compliance, better aligned to the *Safer Journeys* Safer System objectives. We would expect these activities, especially those impacting the approach to legislative or regulatory compliance, to be delivering significant savings and efficiencies to transport system users. We also expect safety outcomes to improve. NZTA and MoT have started to work better together and we would expect to see closer and more obvious coordination develop over the next few years.

Business Strategy and Operating Model

NZTA has developed, or is developing, excellent organisational approaches to most of the current strategic issues facing the organisation. Given the relatively short life time of NZTA, this status is quite commendable – and reflects well on the Board and the executive team.

The initial NZTA decision-making processes involve determining the revenue flows available to fund activities. The current forecasting has relied on MoT projections of revenue flows and these have been found wanting – both:

- a mechanically (significant errors in the spread sheeting of the forecasts have been discovered), and
- b in the use of estimates of business activities that are inevitably ‘off the mark’ (eg, over-estimates of gross domestic product (GDP) activity).

NZTA has a real need to ensure the accuracy of these forecasts and most probably has better access to the most current data trends on transport and road usage. It is clear that NZTA should take a more active stance in developing its own forecasts of revenue and therefore be in a position to anticipate and develop appropriate strategies to meet revenue fluctuations.

NZTA expenditure decision-making processes are well developed and sophisticated by public sector standards. The Board is able to make well informed decisions about where NZTA revenues will be spent and to prioritise between national roading projects. We were impressed with the recent work expanding the decision-making processes to better provide the NZTA Board with option scenarios, including, for example, a greater or lesser emphasis on safety expenditure. We would expect this analysis to become more sophisticated over the next few years and to be more widely exposed to scrutiny by The Treasury, MoT and other key agencies.

We would also expect NZTA to be able to extend this thinking to include other aspects of the NZTA spend, eg, public transport options.

Contracting for the purchase of services has also become increasingly sophisticated. NZTA has utilised a variety of approaches tailored to the individual characteristics of the major projects or contracts for service: at the simple end, tenders for service; at the more complex end, multi-year alliances involving a number of related parties. The feedback is that the competitive alliance used to implement the Waterview build was very successful in achieving a very good outcome in terms of price and speed of build.

NZTA undertook an internal review of its purchasing arrangements and has appointed two experts to work with their teams to ensure they are getting good value for money in their purchasing. For minor projects it is quite easy to establish comparative costs of the inputs purchased. At this level the efficiency of purchasing can be established by tender or assessed by quality assurance processes. However, for major projects a more cooperative approach is appropriate and, based on NZTA experience, the engagement of more cooperative approach to major project purchasing has generated some commendable outcomes and benefits. However, because of the commercial arrangements, these benefits have not been widely communicated. NZTA might want to consider how it might better keep some of the key central agencies in the loop with these arrangements.

The consulting sector in the transport is a relatively closed shop and we wonder whether NZTA might want to consider establishing a small internal consulting group to enable it to test the market prices it is facing.

The area of most concern to us was the Access & Use group inside NZTA. The weakness of this team has been acknowledged and a new managerial group appointed. The new team is aware of the strategic issues it needs to address but many of these require a coordinated problem-solving approach between the NZTA team and those responsible for preparing legislation and regulations (typically MoT). It is obvious that while the relationship between the two agencies has improved, the “joined-up” nature of it is still being tested. There are some good signs but we would expect to see continuous improvement both in the joint working arrangements and in the detailed implementation of customer-facing changes. In addition, this customer-focused work needs to be in the context of a clear expression of compliance activities in the context of the *Safer Journeys* objectives. There are good signs of awareness of customer focus but this needs to be recognised and realised in actions that better meet customer needs; there is much less awareness of the need to integrate with a new approach to regulation.

This area of activity is compounded by the size and complexity of the computer systems used to better meet customer needs. It is good to see the progress made to modernise the computer systems to support registries but this will always be an area needing tight focus and oversight. This development needs to link closely with the business re-engineering in Access & Use – and with the proposed development of the significant Enterprise Resource Management systems.

Change Capability

NZTA has a demonstrable strength in handling change – and this strength positions the agency well.

However, there are some areas of caution, not just because NZTA may not always be able to meet the pressures of change, eg, computer system changes, but because and, most importantly, the necessary changes will require the cooperation of others external to NZTA. This ‘cooperation or collaboration skill’ is key if NZTA is to demonstrate a strong change capability.

Pleasingly, the agency seems to have increased its ability and competencies to work with key players. The advance made with the relationship between NZTA and the Auckland Transport team, although at its infancy, is commendable; as has been the facilitated transport planning activities involving the extended group of bodies involved in preparing the Northern Transport plan. These strengths seem to flow from the generally recognised expertise of the NZTA team and skilled key senior individuals relatively recently recruited into positions inside the executive team. These obvious strengths position NZTA well. Usefully, in Auckland, senior management effort was accompanied with the restructuring of Auckland transport activities inside Auckland Transport; senior management effort alone would not have got there.

The progress that could have been expected is not universal and there are areas where it could have been anticipated that NZTA could have made better progress advancing arrangements with its counterparts. This is “work in progress” and we have no doubt that the appropriate change capability exists but it may over time need to be refocused as new pressures arise, eg, in response to the pressures of rebuilding Canterbury. NZTA generally has the right people in the right spaces and it may simply be a matter of time for the agency to build up the necessary skill levels with its counterpart external agencies to ensure that progress can be advanced at the right speed. However, it might be that institutional issues stand in the way of management effort. There is a skill, and a frustration, in achieving “joined-up or coordinated” approaches to problem-solving with agencies that might simply have different objectives and different priorities.

The Regional Director structure is unusual – and is critical to managing the interface with local councils. NZTA has the ability to work well in this complex field.

We are less convinced there is sufficient senior management capacity focused on safety. There is no “safety champion” as such; from NZTA’s perspective, this is deliberate, as everyone has safety in their job description. Further, we note the Chief Executive has not delegated his role in safety forums; he, in person, participates in person in the various meetings, to ensure full agency commitment and to bring other agencies into the fold. For this reason, a great deal of progress has been made. However, it is clear there are, as ever, further areas of improvement and we suggest that the current approach is not enough or is too dependent on individual effort at tiers one, two and three.

We feel there is more than enough to justify escalation to the executive team to accomplish the required change in advancing the Police contract, ensuring good use of joint intelligence, establishing action plans around vulnerable regions, analysing the safety model in access and use and advancing the behavioural aspects of price signals from ACC. This may be a three-year surge of activity.

The next surge of activity may be somewhere else, such as in public transport linkages and coordination.

The change capability in the Access & Use area remains a work in progress and continued oversight and review of this pivotal area should be maintained. Overall, NZTA has the skills to ensure this area works well – and it must work well. Likewise, NZTA needs to be able to link the change process in Access & Use with systems improvements across the agency.

The Board ensures much stronger accountability than seen in most departments. We are confident it is well able to organise itself to meet this challenge.

ACTION TAKEN FOLLOWING THE 2010 PIF REVIEW

A common statement from stakeholders when interviewed was that they considered the initial PIF report to be accurate and that secondly, and more importantly, that NZTA had taken the report seriously and had taken appropriate action. Stakeholders unanimously felt they were being actively listened to by NZTA; and that appropriate action would follow expression of an issue. There was wholesale support for NZTA's Chief Executive and Senior Leadership Team.

We are impressed with the Board. The Board has found a modus operandi with management, which holds it accountable while maintaining a focus on strategy. Where needed, there is clear evidence of appropriate probing on issues.

Our biggest concern coming into the Follow Up review was whether the agency had been able to meld itself into one agency, from four agencies three years ago. In particular, we were concerned that the criticism that management was embracing change but staff were slow to follow, could remain true. In fact, we were pleased there is clear evidence of growing alignment in all but one of the operating groups (and that operating group has a new management team). We found, overall, that the strategy documents were clear and to the point and fit-for-purpose. We found that staff were aligned with the direction of the agency. And we found that the areas of concern were isolated, identified and under development, rather than systemic. In short, the executive team has made a major effort to bring about agency alignment.

A large amount of work to mitigate major concerns is well in progress, although still in the implementation stage. We are, therefore, building on themes rather than finding new themes.

Highpoints

Highpoints we identified are as follows:

- a **A much clearer expression of the marginal investment choices, including the ability to take decisions on weighting of economic efficiency and safety in the project portfolio.** In the Highways division there has been considerable work in close analysis of the highway network by implementation of KiwiRAP and therefore an ability for the Board to take decisions on the choice and sequencing of capital works that might lead to increased economic benefit or increased safety
- b **Development of the interface with Auckland Transport, including development of an operations-oriented joint venture to oversee highways and arterial routes in a joined-up manner.** The interface with Auckland Transport feels both functional and more evolved than we would have expected. Planning is extending to stronger integration of freight and passenger experiences. Route optimisation is starting to happen across the joint network and NZTA surveillance technology is being rolled out through major arterial routes. We have reflected on why this functional relationship has developed in Auckland, particularly in light of less active relationships with other councils. There appears to be three factors: the partial separation of Auckland Transport from local politics; the unifying of transport issues under one agency; and finally, the strength of the two senior management teams and their willingness to work together positively. In other regions, strong management teams may not be enough; those management teams may operate in less functional institutional arrangements

- c **Facilitation of the upper North Island freight strategy in a manner that seems to have gained wide acceptance from stakeholders.** The Productivity Commission championed the facilitative model in its recent Freight Inquiry. Clearly, this model has been successful in bringing business owners, transport network owners and councils, which designate land use together; with a better ability to take separate decisions within a broadly agreed investment framework, with greater investment certainty and reduced coordination costs
- d **Assistance with development of the *Safer Journeys* model.** There has been considerable work on the *Safer Journeys* model and the development of the Safer System approach. Some parts of the agency have taken well to this, in particular, as noted above the Highways group. The \$300 million Police contract, which is underspecified, is being developed with a \$20 million payment at the margin for performance against targets. There is some very good coordination between Police and regional network managers to align activities and increase safety outcomes. Death toll and serious injury are now the metrics used by the Board rather than the death toll only. One of the documents on safer roads dealt well with this with an easy guide for local authorities on how to mitigate risk on rural roads
- e **Business redesign being adopted in Access & Use.** Recruitment of a new management team into Access & Use, and consequent adoption of a business re-engineering approach with a significant focus on client service, is likely to greatly reduce compliance costs. However, this work is being scoped and is yet to start
- f **Implementation of improved register functions using up-to-date technology for significantly less than the cost of the initial proposal.** The registry infrastructure was clearly in need of updating, particularly in light of a desire to speed regulatory change and therefore consequent systems changes. The implementation of the systems (partially complete) is up to date and relatively cost-effective. The full implementation of the systems will mean they can become more of an enabler of change than an expensive inhibitor
- g **Implementation of integrated ticketing in conjunction with Auckland Transport.** Implementation is under way, although with some hindrance, and will take longer than expected. As we are writing this report, there is ongoing media coverage of implementation issues involving Snapper
- h **Rapid delivery of RONS within envisaged budgets.** RONS delivery is impressively to plan and to budget, and
- i **Careful consideration of the network.** There is now a more subtle view of the network. Previously, metrics such as 'kilometres paved' and 'rutting' were used, and most of these measures sat inside the network monitoring framework. Now there is a clearer expression developing around the client 'needs' of the network. This is seen most clearly in the work in Auckland and Northland – where there is active pursuit of journey experience and, in Northland, a realisation that network resilience is more important than the measure of 'rutting'.

The Senior Leadership Team and the Chief Executive, in particular, are well connected to almost all of the issues we have identified. They are also all highly regarded by stakeholders. There is a significant and positive change in the perception of NZTA with external parties. Generally, NZTA is seen as an active and competent partner agency and an exemplar for other government agencies.

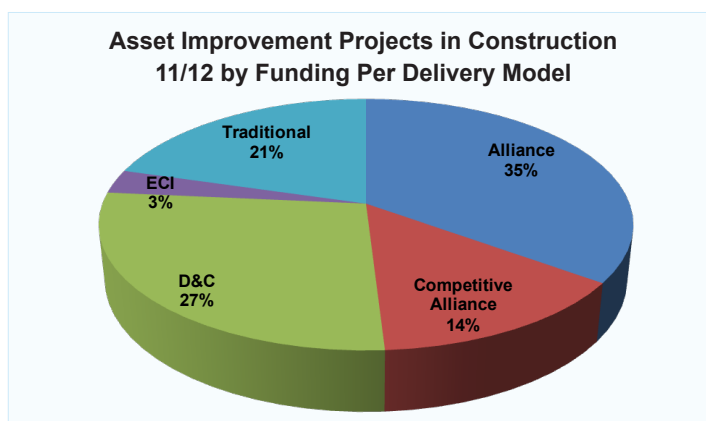
Alliance contracting arrangements show strong performance

There is one area that we feel was underexplored in the original PIF and with the initiation of the Waterview project, we feel deserves further comment.

NZTA has developed a wide range of procurement approaches for its projects. Many of these are what we would term “incrementally innovative”, ie, based on previous procurement experience and improved for NZTA’s particular procurement situations. NZTA is, we believe, very well regarded by its peers internationally.

The spend on projects in the year ended June 2012 was \$747 million. There were 78 contracts in the construction phase. A snapshot NZTA provided to The Treasury earlier this year indicates the broad application of different procurement arrangements, as follows:

- a six were procured as alliances
- b four were procured as competitive alliances
- c nine were procured as design and construction
- d eight were procured as early contractor involvement, and
- e 51 were procured in a more traditional way through closed tender.



The list of project alliances NZTA has run to date is as follows:

- a Grafton Gully (Auckland): completed pure alliance
- b ALPURT B2 (Auckland): complete pure alliance
- c Manukau Harbour Crossing (Auckland): completed competitive alliance
- d Newmarket Viaduct (Auckland): pure alliance, in construction
- e Te Rapa Bypass (Hamilton): competitive alliance, in construction
- f Wellington Tunnels Refurbishment (Wellington): pure alliance partially complete
- g MacKays to Peka Peka (Wellington): pure alliance, in design
- h Waterview Connection Tunnels (Auckland): competitive alliance, in detailed design, with construction commencing soon
- i Wellington Inner City Improvements (Wellington): competitive alliance, in pre-design planning phase, and
- j Waterview Connection Causeway (Auckland): competitive alliance, currently being tendered.

The choice of procurement method is based on the complexity, materiality and potential gains from innovation. The difference between a competitive alliance and 'alliance' is that the alliance in a competitive alliance is selected from two tenderers; the tenderers are paid to develop detailed plans for a competitively priced design, only one of which is then selected. In a pure alliance, the selection is on non-price attributes only and the alliance establishes a TOC (target outturn cost) with the client's expert estimator.

A competitive tender was used for the very complex procurement of engineering and build services in the Auckland Waterview development. NZTA has provided us with a case study of Waterview, see the shaded text box at the end of this section. There are some salient features of the competitive alliance:

- a the winner of the competition provided a build cost that the other tenderer could not achieve
- b the winner also identified a pathway to faster build, and
- c Injury prevention of the competitor was captured in the competitive alliance and some aspects were subsequently adopted by the winner, further reducing overall cost.

There are still nagging concerns around the cost of construction in New Zealand. We are comfortable that the procurement processes used by NZTA are the best we could identify. Any further analysis would need to look in detail at comparative construction costs to identify where there might be differences in classification of costs (NZTA works with a full construction cost, including environmental consents, engineering design, etc).

Environmental issues and management thereof require a close watch. We are confident the NZTA executive team and Board have a full understanding of the costs and benefits of different engineering options. We are less convinced that the processes for weighing costs and environmental effects external to NZTA are sufficiently attuned to the cost of decisions regarding environmental detriment.

Without doubt, the new processes for consideration of projects of national significance have sped up consents and reduced uncertainty. Although we have not heard all of the evidence, we acknowledge from our perspective it is not clear how regulating authorities and their agents give full weight to the cost of managing environmental effects. For example, in the Waterview project a request to shift the fume extraction funnel has an additional cost of \$30 million; that is a lot of capital, which could have been used to facilitate an alternative outcome.

CASE STUDY : WATERVIEW CONNECTION

The contracting industry showed keen interest in the project, with three capable consortia formed, and two consortia shortlisted and proceeding to the design and pricing stage. All had good international tunnelling expertise, together with local contracting expertise.

Build and maintain incentives were aligned

The operating costs of a modern tunnel are high. NZTA combined the design and construction phases with a 10-year operate and maintain phase in order to encourage the right timeframe to incentivise decision making. Lower than expected forecast operating costs have been achieved, with the alliance participants sharing the risk over the 10-year period.

A successful outcome

This process resulted in strong price competition, and provided an excellent driver for innovation, achieving a cost that is seen as excellent value for money. NZTA identifies the following innovation, as follows:

- Significant cost saving and reduced traffic disruption solution of continuing the shallow bored tunnels under Great North Road.
- Optimising the Fire/Life/Safety features in the tunnel to align with emerging technological advancements being achieved in current Australian projects. These benefits were achieved through optimisation of requirements and minimum standards through the issuing of departures to standards where clearly beneficial.
- Reduced land take requirements for temporary construction yards creating savings in both property acquisition costs, as well as ensuring early disposal of surplus land.
- NZTA acquired the intellectual property of the unsuccessful proponents' tender design and has been able to negotiate the inclusion of beneficial features of this design into the project. This includes a tunnel invert services culvert that will avoid future operational impacts associated with services upgrades, refinements to mechanical and electrical features, and a longer life, lower operating cost lighting system.

Timing was key

Also associated with the timing of the project, as it was a quiet period for the market this led to competitive pricing for key high cost components such as the tunnel boring machine and associated specialised equipment such as tunnel segment moulds. The use of the alliance delivery model allowed for fast tracked procurement processes which meant we could best take advantage of the market situation.

Uncertainty dealt with

The alliance model also meant that the unanticipated Board of Inquiry condition related to the northern vent stack location is being accommodated through a specific risk sharing model agreed during the tender process. This risk sharing model incentivises the alliance participants to design and construct the most cost-effective solution for this unanticipated feature.

Areas of concern

We set out our major reflections and conclusions under the following headings:

- a funds management and forecasting needs to be seen as the role and function of NZTA in both the medium and long term as well as in the short term;
- b the Safer System approach needs to be further emphasised with an extensive review' of the regulatory system and how it impacts our safety outcomes. As part of this, the regulatory aspects of Access & Use need to be more closely aligned and NZTA and Police need to continue to modernize the Police contract;
- c the relationship with MoT and the NZTA role in the development of regulations needs to develop and the public needs better regulation, as a joint product of the two organizations;
- d the interface with councils needs development;
- e NZTA needs to further clarify the breadth of its transport objectives and relevance of its targets, more broadly state its focus in terms of transport outcomes, allow more flexibility in determining network utility and become more effective in advising on shifts between activity classes;
- f culture change in Access & Use; and
- g three converging business systems initiatives need to be integrated.

Under each of these headings we set out what we found and liked in this PIF Follow Up review. We then set out where we see the need to improve and give some commentary and context to those areas.

<p>Area One: Funds management and forecasting needs to be seen as the role and function of NZTA in both the medium and long term as well as in the short term.</p>	
	<p>What we liked:</p> <ul style="list-style-type: none"> a close management of day-to-day finances by Finance; b active management of short-term borrowing facility; c better ability to forecast the national highways programme of activity; d more able to articulate safety versus other economic benefits; and e in the portfolio of projects that are directly managed by NZTA. <p>What we think needs to improve:</p> <ul style="list-style-type: none"> a forecasting revenue needs to improve to give NZTA more confidence and control over its cash flows. We recommend NZTA undertaking its own medium- and long-term forecasts (even if also performed by MoT); b over time we would suggest NZTA redevelops the revenue forecast to be less reliant on a necessarily uncertain GDP forecast. These forecasts need to be cash-based even if accounted for on an accruals basis; <p style="text-align: right;">contd...</p>

- c provide a closer focus on medium-term (three- to five-year) revenue forecast and better prepare for contingencies and uncertainties. We also suggest that NZTA deals with the necessary uncertainty by looking at a number of revenue scenarios;
- d maintain close oversight of NZTA’s own expenditure forecasts, especially those involving approved agencies (local authorities);
- e we would like to see greater transparency of commitments over the years;
- f Canterbury reconstruction – NZTA and all parties involved will need better estimates of the quantum involved in reconstruction of Canterbury roading infrastructure; and
- g NZTA could be more transparent in its decision-making processes and with its post-implementation reviews ensuring that agencies such as The Treasury are well briefed and that NZTA analytical and allocation processes are understood and endorsed.

Commentary

NZTA has taken responsibility for short-term cash management. In addition, it appears to have tightened its forecasting in the Highways group. Partly this is in response to the shortfall in the forecast owing to an error in the MoT spreadsheet and a response to the generally tighter fiscal environment.

There is considerably more work to do. In particular, we would like to see a broader funds management perspective being taken over all of the funding. On the revenue side, we would expect NZTA to forecast in both the medium and long term, as well as in the short term. We would expect to see that forecast updated every four or five months.

We would like to see the current cash management activity expanded, with cash management control exercised in a more commercial manner, with a daily forecast three months out and a weekly forecast out a rolling 12 months. As one interviewee noted: “you can’t spend budgets, you can only spend cash”.

On the expenditure side, we would expect to see much more management of the expenditure profiles of approved agencies. We would expect to see expenditure profiles much more closely matching actual spend patterns. If need be, in the FAR (Financial Assistance Rates) review, it might be possible to introduce some working capital incentives to ensure that cash use is kept to a minimum.

We would expect Board reporting to be a concise, integrated statement of all future expected cash flows. We would want to see the forecast expressed as an integrated cash in/cash out statement, which better highlights the gaps and uncertainties. We believe that the Board gets bits of this information, however, it does not have the full picture of future revenue and commitments in any one report. It needs to.

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	<p>We would like to see the forward commitments of NZTA shown more transparently. For instance, NZTA and Auckland Transport agreed a pragmatic front loading of Auckland Transport’s commitment to Auckland road funding. This makes sense for a number of reasons. However, there needs to be more transparent reporting of these forward commitments.</p> <p>NZTA will face much more intensive scrutiny in the current fiscal situation and if it moves from a PAYGO approach and takes up some of the other revenue sources, it should anticipate even closer oversight of its funding position. At the moment, its ability to explain itself easily needs to improve.</p>
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Area Two: The Safer System approach needs to be further emphasised with an extensive review of the regulatory system and how it impacts our safety outcomes. As part of this, the regulatory aspects of Access & Use need to be more closely aligned and NZTA and Police need to continue to modernise the road policing contract.

	<p>What we liked:</p> <ul style="list-style-type: none"> a when NZTA had choices, the Board was able to objectively appraise the options and exercise its discretion to allocate funding to a Safer System portfolio choice; b the general expression of the Safer System provides a foundation for unifying the debate; c KiwiRAP analysis gives core information for national highways; d guides to assist decision-makers are being developed for those reviewing the appropriate spends and options for rural roads and intersections – where KiwiRAP could not be implemented; and e the NZTA/Police/ACC joint intelligence unit is a good initiative. <p>What we think needs to improve:</p> <ul style="list-style-type: none"> a NZTA needs to do more to advance a range of safety interventions, eg, improving drug testing; b NZTA needs to be able to advocate for better use of technology by all players in road safety, particularly the use of technology to improve, for example, the policing of speed; c there needs to be a whole-of-system outcomes framework based around the <i>Safer Journeys</i> approach; d the Police contract with NZTA is one of the largest interagency contracts in New Zealand. Although some improvements have been made, much needs to be done to ensure better transparency and accountability in this arrangement. NZTA and Police need to take the contract further; <p style="text-align: right;">contd...</p>
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- e NZTA needs to be more assertive around longstanding safety issues, such as those in the Waikato region. For instance, the integration with Police needs to improve – what is the action plan?

Commentary

The Board needs to work with management to provide a more developed outcomes framework, based around a Safer System approach, which captures all interventions in a coordinated way, including intelligence functions, policing and other compliance, changes to road structures, ACC pricing signals etc.

There has been considerable work in integration across agencies. There are, however, a number of gaps:

- a the lack of full analysis of the role of ACC in safety is a lost opportunity. There is not yet a fully developed relationship with ACC and, in particular, the costs ACC faces from serious injury do not seem to fully reflect in NZTA decision-making. ACC is active in some programmes and not in others. Further, ACC is able to price risk; it is not clear to us that these pricing signals are fully integrated into the safety agenda;
- b the joint intelligence initiative is in its infancy and reportedly the available information is not being used by all. In NZTA, we understand the regional managers in Access & Use are the major facilitators and, also, we understand that their ability to act and use this information has been mixed for a number of reasons;
- c there is a lot more that could be done with additional technology, which could substitute for highly trained uniformed police. There is some movement in the Police contract (\$20 million is at risk). NZTA needs to continue to develop this contract (acknowledging that significant effort has already gone into it) and, if need be, split what is capacity building for Police from what is needed for road safety. The institutional willingness to do this is apparent from NZTA; the Police will find the further development of the contract more challenging;
- d relationships with councils are also mixed. With reduced funding, councils have been reducing their safety commitment and in many instances losing their safety advisors. It is not clear to us whether there has been consideration of the systems value of having those safety advisors or not; and
- e Access & Use has the responsibility for local optimisation of safety outcomes, eg, a part analytical and part coordination role. Our understanding is that this role has only been partially successful, working in some areas, but the result is patchy.

Managing safety in this agency, and across agencies, is a major task. We have no doubt that NZTA has much improved interagency integration on safety. There is still much to do.

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	<p>As an example, the issue of the high accident rate in Waikato was raised by several. Interviewees indicate that although there are many factors contributing to these accidents, Police and NZTA staff are not integrating as well as they could in the region. Further, although it would appear that all stakeholders are acutely aware of the issues, we are concerned they are taking action in different ways and it is not clear that all of these initiatives fit together. For instance, it is not clear how the widespread introduction of a 40 km zone in Hamilton will affect road use. We would like to see, in the future, more local optimisation of safety outcomes by the different parties. We note, however, that what we are observing is work-in-progress; the issue has been identified and stakeholders are starting to work together.</p> <p>There are still significant planning issues on major roads that demonstrate that the Safer System message is more difficult to implement than it would appear. Some of these planning issues seem to be about mixed use of roads eg, by cyclists. It is fair to say that mixed use of roads may continue to challenge us.</p> <p>Our preference is for a safety champion at the tier 2 management level. Currently, the safety champion is the Chief Executive – supported by a number of lead technical staff within business groups dedicated to improving safety. It is beyond our brief to recommend how the Chief Executive should best support himself but our observation is that the agency could benefit from more visibility and ensuring there is a strong ‘challenge’ element to its delivery efforts. It is to the Chief Executive’s credit that he has decided to take on the safety agenda and the progress made could not have been made without that commitment.</p>
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Area Three: The NZTA role and the relationship with MoT in development of regulations needs to develop and the public needs better regulation as a joint product of the two agencies.

	<p>What we liked:</p> <ul style="list-style-type: none"> a we liked that both NZTA and MoT recognize a co-dependence in getting regulations correct; b we liked the development of a “joined-up team” with staff from both agencies to look at warrants of fitness (WOFs) and certificates of fitness (COFs); c client groups report well on a culture of consultation and cooperation. They feel engaged and listened to; and d the relationship between the MoT and NZTA has improved and both agencies are now working more collaboratively. <p style="text-align: right;">contd...</p>
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What we think needs to improve:

- a NZTA and MoT recognise they are mutually dependent and are now starting to work more effectively to jointly develop projects. NZTA will always have the operational knowledge and an awareness of where strategies are working (or not) and its engagement in the policy formation process is valuable. We need to see this operational knowledge come together with better regulation; and
- b over time it would be good to see more extensive joint working arrangements to facilitate a good interchange of ideas.

Commentary

There is a view in NZTA that roles need to be clear and crisp but our experience of policy/operations splits is that there is a distinct blurring of roles – and that this is necessary. In particular, a policy Ministry must be responsible for the development of good legislation. However, it will only know that legislation is good if it has access to the strategic operational competencies of a well-run operations entity, such as NZTA.

Our observation is that NZTA and MoT are looking to work together more. But there is clear evidence that the legislation and implementation of road user charges (RUCs) by MoT suffered from some of the same issues we picked up in the last PIF review. In particular, in the last review we identified failings in the regulations and their implementation around allowing oversize vehicle dimensions and mass. Specifically, with the RUC changes, it would seem the legislation is less permissive than it could be that not all impacts on stakeholders have been recognised and that implementation was very much at the last minute. We talked with both NZTA and MoT about this and it is clear there is a set of contributing factors, such as staff departures, political necessity, etc. Also, the move to greater efficiency by encouraging optimization of loads, eg, a truck pays the same RUC whether empty or full, may not work in concert with the *Safer Journeys* framework. We feel there needs to be a joint MoT/ NZTA RUC post-implementation review to see what process improvements could be achieved. It is clear that both agencies are better positioned now to implement the findings than at the time of the initial PIF.

Likewise, as we note above, the regulatory thinking that has gone into making best use of *Safer Journeys* seems to be underdeveloped or missing, although this may develop as the two agencies work together in the COF and WOF review.

Area Four: The interface with councils needs continued development.

What we liked:

- a the relationship in Auckland is significantly better largely owing to two factors: senior management efforts and the new institutional arrangements of Auckland Transport;
- b reflecting other stakeholder feedback, the local authorities find NZTA easier to deal with;
- c the Regional Director role is unusual – and it works. The appointments to these positions are strong;
- d there is conscious capability development with local authorities and a number of joint projects in key areas, such as road maintenance;
- e guides on how to mitigate safety risks in the roading system as a whole are being developed; and
- f engagement with local government has been positive especially at the officials' level.

What we think needs to improve:

- a maintenance – taskforce work is positive and needs to be driven strongly to ensure local authority buy-in to the changes proposed – there will be a challenge in delivering the benefits;
- b the planning interface is strong in Auckland and in the upper North Island freight strategy but appears weaker elsewhere;
- c issue of funding – interface with national highways and feeder roads needs common standards and more consistency and, possibly, less discretion; and
- d local government not being easily tied into the Safer System approach, eg, mixed use roads.

Commentary

The three major metropolitan areas account for most of the transport money. There is a mixed showing in performance.

- a Auckland – much stronger than expected – now heading into implementation – new institutional arrangements look to be working well.
- b Christchurch – should be easier but institutional structures lagging with strong council interface and less strong linkage between transport services and key infrastructure.
- c Wellington – deemed to be a lower priority.

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	<p>We questioned whether with management effort the success in Auckland is repeatable. We decided not. Institutional arrangements are decisive in improved integration in Auckland.</p> <p>Christchurch poses a special problem. A number of interviewees noted that the Cantabrian <i>modus operandi</i> means that all decision-making around the earthquake is slowed down to the pace at which the council can move. It is beyond the scope of this PIF Follow Up review to fully work through whether this is the case. However, for roading, the spending is significant and if concerns remain, they need to be discussed with the Board for further escalation.</p> <p>The FAR rate review has just begun and may be instrumental in developing and defining the relationship between councils and NZTA. We reviewed the Board paper for the review and felt that it could be broader; and that NZTA will need to address some key issues around the interface with councils at some point. The issues we identify are as follows:</p> <ul style="list-style-type: none"> a being clear on what is a roading spend and what is a local decision about the nature of the built environment, eg, an example might be the closure of roads for pedestrian use (a benefit specific, in this context, to ratepayers); b a more transparent statement of prioritisation of one region or area over another based on the project priorities identified, making the ‘one network’ approach more visible; c closer liaison on <i>Safer Journeys</i>, including voluntary adoption, and possible later compulsory adoption, of some road safety initiatives; and d closer management of the cash and funding profile to better optimise short- and medium-term fund management. <p>Road management is one of the major activities of councils. NZTA is on the cusp of making integration with councils work much better. We don’t underestimate the difficulty of achieving this integration.</p>
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Area Five: NZTA needs to further clarify the breadth of its transport objectives and relevance of its targets, more broadly state its focus in terms of transport outcomes, allow more flexibility in determining network utility and become more effective in advising on shifts between activity classes.

	<p>What we liked:</p> <ul style="list-style-type: none"> a categorisation of the highway network to allow for differentiated service levels; b an expressed desire to develop journey outcomes in Auckland; c growth in the capacity to work with and assess public transport options; <p style="text-align: right;">contd...</p>
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d a clarity of objective that the goal is reducing congestion, rather than road construction; and

e growing agreement that certain aspects of the highway network will be turned over to local authorities to manage where relevant.

What we think needs to improve:

a further development of NZTA's role in public transport and more explicit identification of the option space for public transport;

b a need to formalise journey outcomes, including all aspects of transport infrastructure and regulation, possibly by regular analysis of a set of benchmark journeys; and

c a need to look at the whole spectrum of experience for road users, including choice of mode. This is happening at a planning level much more than was apparent in the last PIF; it could be time to look at it in terms of the formal statement of the agency's objectives.

Commentary

Currently, there is detailed monitoring of roads and in particular, highways. We like this level of detailing in the monitoring but it is just; monitoring. For example, a number of indicators concern themselves with the state of the road, eg, rutting. Our concern is that many of these indicators are secondary or tertiary. We would see the primary indicator would be measures such as reduction in death and morbidity, expressed in Quality Adjusted Life Years, or in a reduction in the cost of the capitalised value of the work programme (a net present value) or in terms of indicator user, experiences of the network. We would want these experiences to be inclusive of all travel options, such as public transport, and to be set out in terms of convenience, time, reliability, etc.

For example, a freight user, total journey time and number of stops would be as important as the state of the road.

More network-focused statements that better reflect the key issues that face users in the network regions for example in:

a Auckland, a focus on customer experience and satisfaction by market segment, including the full span of the experience, from travel options, travel time, consistency of travel time, cost of travel time and the manner in which compliance is organized; and

b Northland, the network manager identified that a focus on resilience of the roading system was more important than the number of potholes.

In passenger transport there has been effort in establishing organisation capacity to look at public transport passenger options and outcomes. Boardings per \$ have been heading in the wrong direction. It will take a concerted effort to push them in the right direction.

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	<p>The impact of any change could be measured and a quality management framework could look at trends probably only every six months rather than in real time. For instance, each month in Auckland there could be a sample of 20 benchmark commuter journeys. If looked at regularly, themes would emerge providing insight of a different sort than we see from the current performance management systems.</p> <p>Currently, NZTA receives advice on how it should spend within its (around 15) activity classes, funding projects within overall expenditure bands. In future, NZTA would seek to advise on the structure of those activity classes more actively, based on its emerging, more sophisticated view of optimal transport investment options.</p> <p>We believe this clarification of objectives is a small step in the agency’s thinking; most of the thinking around reducing congestion, building the client experience etc, is already there. A larger step is the way that the outcome and performance management statements are prepared and, consequently, the way this thinking is made more transparent.</p>
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Area Six: Culture and change in Access & Use.

	<p>What we liked:</p> <p>In most areas management has captured the hearts and minds of the staff:</p> <ul style="list-style-type: none"> a engagement scores have increased; b in Access & Use, there is a clear intention to use business re-engineering techniques to assist with reduction of client cost; and c there is a clear commitment to safety in Access & Use. <p>What could improve:</p> <ul style="list-style-type: none"> a need to better express Access & Use activity in the safety model; and b engagement scores are still low in Access & Use. <p><i>Commentary</i></p> <p>The culture inside NZTA’s Access & Use division has not moved as positively as in others. This is unfortunate because it is the area where the public has the most to do with NZTA. Recent managerial changes are an improvement it is uncertain whether the changes in managerial approach and style are yet working.</p> <p>Fundamentally, we see Access & Use needs to embrace <i>Safer Journeys</i> differently. The implicit, current safety model needs to be made explicit and needs to be examined under the heading of appropriate, modern regulation. Our view is that the business re-engineering approach is an appropriate partial goal but needs to have a regulatory lens, ie, the correct application of positive and negative behavioural incentives, applied. This regulatory lens needs to integrate with <i>Safer Journeys</i>.</p>
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Area Seven: Three converging business systems initiatives need to be integrated.

What we liked:

- a the emerging thoughts about re-engineering Access & Use;
- b the re-development of the registries; and
- c a business perspective on development of an ERP.

Areas we had concerns about:

- a whether the re-engineering will remain in the Access & Use silo;
- b whether the counterfactual (all facts explored) has been fully explored for the proposed ERP; and
- c that the ERP option is under-costed and risks under-explored.

Commentary

Two years ago NZTA was looking for a FMIS. Today it has tendered for an ERP. We are not sure that this was a conscious move and are also unsure that the business case and the counterfactual were fully explored. We are open to being convinced that the resource planning software option chosen (SAP) is up to the task – but we suggest a full review of that option, with other options in mind. In particular, we heard a number of comments in drafting this report – “nothing will be customised”, “we will make the organisation fit the SAP process”, etc. All of these are red flags for us. There needs to be customisation.

We have viewed the draft business case. The counterfactual needs to be expressed in a differently. The counterfactual is not about the current systems, many of which need updating, but ‘best of breed systems’ (the best of their kind). The internal staff cost should be counted. In doing so we suggest a 40% - 100% loading of the salary to reflect the full cost of employment.

The proposed re-engineering of Access & Use is valuable. The agency needs to make sure that it happens and, at the same time, integrates both efficiency and safety goals. However, our understanding from stakeholder interviews is that the re-engineering is restricted to Access & Use. We suspect this is where the major benefits may be but we would recommend consideration of re-engineering across all agency functions. There is an apparently robust path to modernising the registries and transaction engines. There may be an integration issue to monitor; NZTA to be sure that the ERP, the re-engineering and the re-design of the registries comes together.

APPENDIX A

Interviewees

In addition to input provided by a number of Board members and agency staff, this Follow Up review was informed by representatives from the following communities, businesses, organisations and agencies. We are grateful for their time and insight.

AGENCY/ORGANISATION
AA (Automobile Association)
Auckland Transport Authority
Canterbury Earthquake Recovery Authority
Christchurch City Council
Christchurch Regional Council
Joint Transport Operations Centre, Auckland
KiwiRail
Ministry of Transport
National Infrastructure Unit, The Treasury
Port of Tauranga
Road Transport Forum New Zealand
Truck Rentals, Penrose

APPENDIX B

Agreed Framework for PIF Follow Up review

SCOPE	REFERENCE	EXPLANATION	EXPECTATIONS
Improving the internal alignment and focus on customers and sector impact	Includes the following: Rec 1.5 Rec 3.3	This is at the nub of the “head and shoulders have moved but the body has not” comment from stakeholders.	Further insight into the work on culture, staff engagement, customer orientation and working together, as well as the operation of NZTA’s strategy set.
Integrated network planning	Includes the following: Rec 1.1 Rec 1.4 Rec 2.6	Decision-makers need a sense of longer-term network planning; transport users need good access to the transport system; and networks need to operate efficiently.	Further insight into striking the right balance between maintaining a short-term operational delivery focus and building a sector-wide longer-term view of planning and investment direction.
Improvements to manage costs down and manage delivery quality up	Includes: Rec 1.6 Rec 2.2 Rec 2.3 Rec 3.4	We have a statutory operating principle that requires us to use revenue in a manner that seeks value for money.	Further insight into identifying and realising improvements, particularly in our operating activities.
Future fit		This is now a major theme/ methodology for recent and future PIF assessments.	Further insight into the systematic use of forward thinking to influence actions, and agility to adjust and refine actions to align with changes of emphasis in strategic intent.
Systems capability		Health check on the systems and operational policy underpinning major business processes.	Assessment of the quality and management controls around core business support systems, particularly IT, FMIS, ISSP.
Relationship with the Ministry of Transport	Touches on: Rec 1.4 Rec 2.1	An effective relationship with the MoT is essential to seamless services - to the Minister and the sector and to ensuring value.	Assessment of the interface between the policy ministry and the operational agency.