How NZTA uses cost benefit analysis to allocate funds to road repairs



NZTA uses cost-benefit analysis (CBA) to evaluate the economic efficiency of transport investments, ensuring taxpayer funds achieve maximum public value.

NZTA's CBA calculates the monetary value of projected benefits of a given project, such as reduced travel time, improved safety, and lower emissions, **AGAINST** costs, such as construction and maintenance.

BENEFITS

- Reduced travel time
- Improved safety
- Lower emissions

and more...

VS

COSTS

- Construction costs
- Maintenance costs
- Operating costs

and more...

=

BENEFIT–COST RATIO (BCR)

$$\frac{\text{Total Benefits}}{\text{Total Costs}}$$

The result is expressed as a benefit-cost ratio (BCR). Projects typically require a **BCR ≥ 1** to proceed.



BCR ≥ 1

A BCR ≥ 1 IS ALSO REQUIRED to support any spend over **$2 MILLION** without a business case submitted.

If BCR < 1, or if spend is over $2 million, a business case must be submitted.

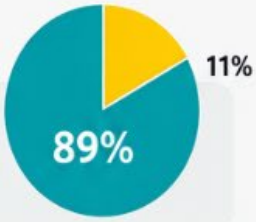
WHAT DOES 89% FAR MEAN AND HOW DOES IT WORK?

NZTA provides Council with a FAR (funding assistance rate) of 59% of funds to complete general maintenance and repairs on our roading network, and we fund the balance of 41%.

When the district undergoes a state of emergency or significant weather event such as Cyclone Gabrielle, NZTA will enhance the FAR and provide us with a higher co-funding percentage.

For cyclone related recovery projects, **an 89% FAR applies.**

This means NZTA contributes 89% of total approved project costs, while councils or other sources fund the remaining 11%.



The higher FAR reduces financial pressure on councils and helps ensure essential cyclone recovery can proceed without excessive strain on local ratepayers.