

# Chapter 1 Introduction

## 1.1 Description

### Description

This manual presents the procedures to be used in the economic efficiency evaluation of projects submitted to Land Transport New Zealand for funding. Economic efficiency is one of the three assessment factors considered in Land Transport NZ's funding allocation process, which is described in chapter 6 of Land Transport NZ's *Programme and funding manual*. Economic efficiency analysis is also used when selecting between project alternatives and options to ensure the best possible use is made of the available resources. The economic analysis procedures contained in this manual include both simplified and full procedures.

The emphasis throughout this manual is on the practical use of techniques for evaluating typical transport projects. No attempt has been made to provide full coverage of the theoretical or philosophical basis of the methods presented.

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## 1.2 Purpose

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### **Purpose**

By using the procedures in this manual it is intended that:

- project economic evaluations will be presented in a consistent format
  - the costs and benefits, and their relative magnitude, of project alternatives and options will be clear
  - any assumptions made will, as far as possible, be standardised between projects
  - the appropriate level of data collection and analysis will be undertaken for economic efficiency evaluations.
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## 1.3 Contents

<b>Evaluation procedures in two volumes</b>	<p>The Land Transport NZ economic efficiency evaluation procedures are now contained in two volumes – <i>Economic evaluation manual</i> volumes 1 and 2. Volume 1 (this volume) contains the basic concepts of economic efficiency evaluation and specific evaluation procedures for road projects.</p> <p>Volume 2 includes procedures to be used for evaluating transport demand management proposals, travel behaviour change proposals, walking and cycling, transport services, private sector financing, toll road projects and parking measures.</p>
<b>Basic concepts</b>	<p>Chapter 2 of this volume describes the basic concepts underlying the economic efficiency evaluation procedures for projects and packages of projects.</p>
<b>Evaluation of road projects</b>	<p>Chapter 3 describes the specific procedures to be used for economic efficiency evaluation of road projects.</p>
<b>Simplified procedures for road projects</b>	<p>Chapter 4 contains simplified procedures for evaluating road maintenance activities and seal extension works, plus lower capital cost road projects, such as general road improvement, structural bridge renewal and intersection improvement projects. These simplified procedures condense economic efficiency evaluation into a few worksheets.</p>
<b>Full procedures</b>	<p>Chapter 5 describes procedures and provides sample worksheets for full economic efficiency evaluation of land transport projects. The full procedures are to be used when either more detailed analysis is required than is provided in the simplified procedures, or the limits specified for the simplified procedures are exceeded.</p>
<b>Guidance on input values</b>	<p>Appendices A1 to A13 describe the methodology for valuing the various benefits and disbenefits considered in economic efficiency evaluation and provide standard unit values and other guidance on estimation of input values.</p>
<b>Blank worksheets</b>	<p>Appendix A14 contains blank worksheets that can be copied and used for evaluations.</p>