



Summary

New Zealand Transport Agency: Maintaining state highways through Network Outcomes Contracts

In 2013, the New Zealand Transport Agency (the Agency) decided it could more effectively and efficiently maintain state highways by using Network Outcomes Contracts – these are contracts between the Agency and suppliers to provide all management and maintenance activities for state highways.

Most of the key result areas in Network Outcomes Contracts are clearly aligned with the outcomes the Agency is working toward. Some, such as the key result area for road user safety, include performance indicators that provide a clear view on whether the intended outcome is being achieved.

However, other performance indicators and operational performance measures remain largely focused on outputs and compliance. In these key result areas, the extent to which the measures enable an overall assessment of road network condition, and the link to the Agency's overall outcomes, are unclear.

The Agency has recognised this. In the latest round of contracts, it has removed some of the compliance-based key performance indicators and is considering introducing a key performance indicator about the condition of the road network. If done, this should help the Agency to better understand how well these contracts are working to support the overall outcomes of safe, reliable, and resilient state highways.

The Agency has several pressures it needs to balance to maintain the network. Maintaining an increasing and more complex network with limited funding requires making trade-offs.

Broadly, the Agency has maintained the overall condition of the state highway network adequately to meet the road condition performance measures in its annual report. However, when we analysed those performance measures for the state highways maintained through Network Outcomes Contracts, we noted a declining trend for some measures. Given the forecast gap between budgeted and required renewals, it will be important for the Agency to monitor these measures closely and take action if the road condition continues to deteriorate.

To help improve the Agency's management of the contracts, we have made four recommendations. The Agency has started work to address our recommendations – for example, by setting up a Maintenance Contracts Governance Group to measure and report on risks, benefits, and outcomes for all of its maintenance contracts. By fully addressing our recommendations, the Agency should be able to achieve better value for money from the \$500 million spent each year on maintaining state highways.

