

MIN-3959 - 21-24 NLTP Forecast scenarios

4 October 2022

An update on scenarios regarding cashflow in the 21-24 National Land Transport Programme (NLTP) – including best- and worst-case scenarios. Also addresses the most recent FED and RUC projections.

Waka Kotahi NZ Transport Agency response:

- There are no new Fuel Excise Duty (FED) and Road User Charges (RUC) projections. BRI-2557 dated 2 September 2022 remains the most current advice on the matter.
- New revenue forecasts will not be available until later in October/November 2022 (revenue forecasts are prepared by the Treasury and the Ministry of Transport). Waka Kotahi is consulted on the outcomes.
- Any revenue forecast will be difficult given the uncertainties on the supply situation particularly with the war in Ukraine and the purchasing behaviours on the fuel tax cuts i.e., the actual revenue we have estimated may be 'pre-paid' is **s 9(2)(f)(iv)**. Revenue therefore may be artificially high and then tail off post the ending of the tax cut.
- There remains significant uncertainty on the spend outcomes, in particular the impact of supply chain delays and inflation and whether the Approved Organisations (AOs) have sufficient funds to meet their local share.
- Below are the activity class investment targets (revised) in the appended Table 1. As can be seen there is a range of potential outcomes. We have adjusted the investment targets to forecast costs - for example Public Transport (PT) services is likely to be over the original investment target, while Local Road improvements is likely to be under given the progress to date and the shortage of funds from our AO partners. The situation also reflects that we are only funding 'probable' projects in the NLTP.
- The most likely forecast spend (the appended Table 2) is \$15.1 billion. This assumes that there are no additional Public Private Partnership costs for the National Land Transport Fund (NLTF).
- On the revenue side the most recent forecast is for \$12.9 billion (set at BEFU¹) + up to \$2.5 billion in debt (\$2 billion NLTP + \$0.25 billion in seasonal and \$0.25 billion in shock). This would mean that based on the most likely case we have sufficient funding and financing. With revenue and financing at \$15.4 billion. This assumes we are kept whole from any changes in the fuel tax rates.
- **The revenue is likely to be slightly lower when re-forecast (given the headwinds since BEFU), meaning that there are some risks around our cash position. A 5 percent drop in revenue is in the order of \$0.4 billion (two years' worth of reductions).** It also assumes that we have full access to all of our debt facilities and there are not further emergency works that require funding. We would be exposed in the event that costs are slightly higher, and revenue is lower.
- Critically, we will need to work through what the delays in spend, the higher costs of that spend and the use of our seasonal and shock facilities mean for the 2024-27 NLTP (and the NLTF).

¹ Budget Economic and Fiscal Update.

- We update the expenditure forecasts periodically and will receive a new revenue forecast shortly.
- Waka Kotahi considers that the NLTF is likely to require some additional funding to cope with the additional demands being placed on it.

Table 1 – activity class investment targets

Activity Classes, NLTF (share \$m)	Investment Target (incl. approvals)	Proposed Investment Target Range	Lower range	Upper range	Most Likely Case
Public Transport Services	1,330	1,370-1,480	1,220	1,930	1,441
Public Transport Infrastructure	1,699	1,520-1,640	1,270	2,080	1,600
Walking & cycling improvements	618	515-550	290	550	543
Local Road Improvements	671	485-525	300	810	511
State Highway Improvements	2,640	2,530-2640	2,400	3,250	2,680
Road to Zero	2,673	2,530-2660	2,530	2,830	2,595
State Highway Maintenance	2,805	2,805	2,260	2,940	2,805
Local Road Maintenance	2,339	2,339	2,000	2,340	2,339
Investment Management	262	250	220	270	250
Rail Network (excluding Crown top-up)	360	360	360	510	360
Coastal Shipping	30	30	30	45	30
Total	\$15,427	\$ 14,734 - 15,279	\$12,880	\$17,555	\$15,154

Table 2 - a potential high/low and most likely in terms of spend.

Activity Class Scenario Forecast Summary

Activity Classes, NLTF (share \$M)	Investment Target (incl. approvals)	Progress		Projections		
		Spent to date	% of Investment Target	Low Case	Most Likely Case	High Case
Public Transport Services	1,330	431	32%	1,392	1,441	1,526
Public Transport Infrastructure	1,699	347	20%	1,407	1,600	1,786
Walking & Cycling Improvements	618	133	22%	452	543	684
Local Road Improvements	671	142	21%	434	511	647
State Highway Improvements	2,640	1000	38%	2,458	2,662	2,880
Road to Zero	2,673	688	26%	2,383	2,595	2,824
State Highway Maintenance	2,805	830	30%	2,805	2,805	2,855
Local Road Maintenance	2,339	736	31%	2,339	2,339	2,439
Investment Management	262	60	23%	245	250	255
Rail Network (excluding Crown top-up)	360	107	30%	360	360	366
Coastal Shipping	30	0	0%	30	30	30
Total	\$15,427	\$4,473	29%	\$14,305	\$15,136	\$ 16,292