

MIN-3994 National Land Transport Programme Update

26 October 2022

Waka Kotahi NZ Transport Agency Board has made changes to the National Land Transport Programme (NLTP) investment targets. This note provides an update on those changes.

2021-24 NLTP Funding Update

On 2 September 2022, we briefed you (BRI- 2557 refers) on progress and risks related to the delivery of the 2021-24 NLTP, including funding concerns and liquidity risks within this NLTP period; and potential options to mitigate the risks.

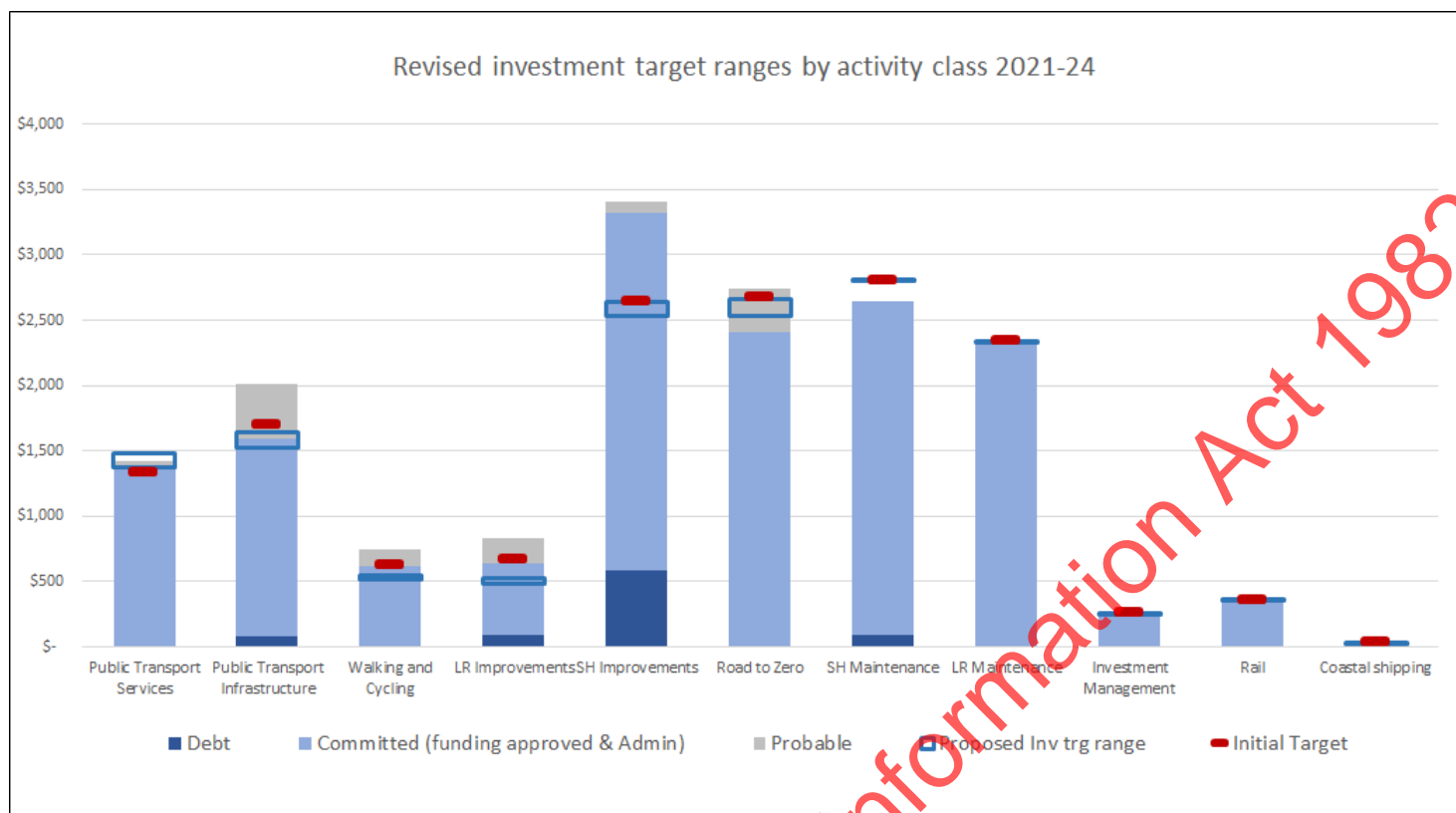
COVID-19 lockdowns, supply chain delays, the tight labour market, and the reprioritisation of transport programmes to address recent policy changes, have all impacted the sector's ability to deliver against the ambition of the 2021-24 NLTP.

A large number of councils have delayed starting new projects or are delivering projects at a slower rate than originally forecast as they grapple with increased costs, funding pressures and supply disruptions. The situation remains uncertain, with there being a risk of a continued decline in forecast revenue and ongoing changes with programme delivery.

Forecast revenue for the 2021-24 NLTP period is estimated to be down \$600 million or about 5 percent of projected revenue at the time the NLTP was adopted, while project costs have escalated higher than originally expected.

Acknowledging the above matters, in September 2022 the Waka Kotahi Board changed the investment targets for activity classes in the 2021-24 National Land Transport Programme and established target ranges to reflect this uncertainty and to be in line with what we know we can afford to fund or finance.

On the basis of projected funding demand within each Activity Class derived from recent council and Waka Kotahi forecasts, investment limits have been reduced for the Road to Zero, Public Transport Infrastructure, Local Road Improvements and Walking & Cycling activity classes, but increased for Public Transport Services – as shown in the graphic over the page:



It is important to emphasise that at this stage we expect to be able to fund probable activities and meet all existing commitments, i.e., the decreases in the investment targets are not the result of Waka Kotahi cancelling work that in the normal course of events we would have completed.

We are continuing to monitor available revenue and costs. We understand the draft revenue forecast for the October 2022 Baseline Update shows a further \$50 million decline and the forecast position at June/July 2024 is finely balanced. This will have implications for the 2024-27 NLTP.

It is unlikely we will be able to fund any new activities or agree to any new enhanced funding assistance rates, outside of those approved for Emergency Works and other existing commitments.

For Public Transport Services, reduced public transport farebox revenue from the ongoing impact of COVID-19, as well as cost escalation with driver wages, holidays¹ and cost pressure - particularly in diesel, is significantly increasing costs in this activity class. We have increased this funding target to enable us to enable more people to use public transport services, rather than cutting back service. This supports our reductions in private vehicle use and carbon emissions. We have prepared a cost escalation bid to try and deal with the above cost pressures.

The ongoing scale of emergency works from severe weather events is placing significant pressure on the state highway and local road maintenance activity classes. We are currently managing this within the existing budgets. Should emergency events continue at the same frequency, adjustments may also be required to these activity class targets potentially resulting in the need to offset across the programme. We have also prepared a cost escalation bid to address some of the emergency works cost pressures for Waka Kotahi and our investment partners.

¹ Ten days sick leave, two new public holidays this year (Matariki and Queen Elizabeth II Memorial Day).

The slowdown in delivery is expected to have an impact in the 2024-27 NLTP, with a higher-than-normal carryover of committed activities likely to limit available funding for new activities in some activity classes.

Next Steps - Communications

It is possible that you will receive questions regarding the change in investment targets.

Communications regarding the change to Investment Targets will be released to councils through normal Waka Kotahi communications channels (the NLTP Bulletin), along with an email from the Waka Kotahi Chief Executive to all Mayors, Chairs and Chief Executives – and Local Government New Zealand key staff.

We expect these letters from the Chief Executive to go out on 28 October 2022.

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