

15 May 2023

Hon Michael Wood
Minister of Transport
Parliament Buildings
Wellington

Dear Minister

Quarterly Report on Borrowing Facilities and Public-Private Partnerships (PPP)

Waka Kotahi NZ Transport Agency is required to report quarterly to you and the Minister of Finance on the status of its borrowing facilities and the funding position under public-private partnership agreements.

Please find attached the report for the period 1 January to 31 March 2023 on the use of the borrowing facilities available to Waka Kotahi to manage the cash flows of the National Land Transport Fund including the COVID-19 borrowing facility; the National Land Transport Programme Loan 2021-2024 (\$2 billion); and the specific loan facilities available for the Auckland Transport Package, the Tauranga Eastern Link, and the Housing Infrastructure Fund. Also included in the report is the funding position of the Transmission Gully and the Pūhoi to Warkworth public-private partnership projects and the related interest rate swaps. The report includes details of the drawdown under the National Land Transport Programme Loan.

The Board continues to review each of the debt facilities on a quarterly basis. Waka Kotahi officials certify that the facilities are, in each case, being used for their intended purposes and that the terms and conditions of each of the borrowing facilities, as set by Ministers, continue to be met.

As at 31 March 2023, PPP agreements in place are for the Transmission Gully and Pūhoi to Warkworth projects. The total debt position for both projects is materially consistent with the amounts included in the Cabinet approvals dated 11 July 2014 and 26 October 2016 respectively. The settlement of claims related to Pūhoi to Warkworth (pre and post COVID-19), and Transmission Gully (pre and post COVID-19) does not change the total debt obligations outstanding on the projects.

Based on the National Land Transport Fund's long-term forecast and the priority that would be given to meeting outstanding debt obligations over other calls on the fund, Waka Kotahi expects to be able to pay the unitary charges to the contractors as they fall due.

Yours sincerely



Nicole Rosie
Chief Executive

Copy to: Office of Hon Grant Robertson, Minister of Finance
Treasury, Vote Transport, Olivia Maxwell
Ministry of Transport, Paul Laplanche

BORROWINGS AND SERVICE CONCESSION LIABILITIES REPORT

1 JANUARY TO 31 MARCH 2023

Details of Current and Forecast Borrowing Requirements

The attached report covers the following:

- details of each loan facility and public-private partnership agreements approved for use by Waka Kotahi.
- the planned usage, the activity during the period and the balance of those facilities/ agreements.
- assurance that the loan conditions in each facility have been and will continue to be met.
- how we are managing the future cash flows.

TOTAL DEBT As at 31 March 2023	Total Facility \$ m	Drawn Debt \$ m	Undrawn Debt \$ m	% of total drawn debt
Loans	3,759	1,468	2,291	43%
Public Private Partnerships	2,050	1,984	66	57%
TOTAL	5,809	3,452	2,357	100%

LOANS					
Loan Facilities		Total Facility Available \$m	Balance as at 31 March 2023 \$m	Borrowing Costs	Amount drawn/(repaid) in the quarter ending 31 March 2023 \$m
1. Revolving Loan Facility	1.1 Seasonal Facility	250.0	0.0	s 9(2)(b)(ii)	(25)
	1.2 Shock Facility	250.0	150.0		0.0
2. COVID-19 NLTF borrowing facility		325.0*	325.0		0.0
3. NLTP Programme Loan 2021-24		2,000.0	400.0		0.0
4. Waka Kotahi Regulatory Loans		95.0	60.0		0.0
5. Auckland Transport Package		375.0	354.0		0.0
6. Tauranga Eastern Link		107.0	107.0		0.0
7. Housing Infrastructure Fund		357.0	72.0		0.0
TOTAL		3,759.0	1,468.0		(25.0)

*undrawn funds from original \$425m facility no longer available

PUBLIC-PRIVATE PARTNERSHIPS		
Project	Total Facility (Crown Guarantee) \$ m	Cost incurred up to 31 March 2023 \$ m
Transmission Gully	1,100.0	1,068.3
Pūhoi to Warkworth	950.0	915.5
TOTAL	2,050.0	1,983.8

INTEREST RATE DERIVATIVES	Notional Swap \$m	Fixed rate	Start Date	End Date	MTM \$m 31 March 2023
Transmission Gully	\$833.6	5.58%	22/2/23	22/10/43	s 9(2)(b)(ii)
Pūhoi to Warkworth	\$765.0	4.16%	29/8/23	28/8/45	
TOTAL	\$1,598.6				

Based on our long-term forecast for the National Land Transport Fund (NLTF), Waka Kotahi expects to be able to pay all debts and unitary charges for the PPP's as they fall due. Priority would be given to meeting outstanding debt obligations over other calls on the fund.

In April 2021 Cabinet approved an increase of our short-term borrowing facilities to \$500.0 million (from \$250.0 million) to reflect changes to the size and demands placed on the NLTF since the facilities' inception. As part of agreeing to the changes, Waka Kotahi and the Ministry of Transport (working with the Treasury) have established a memorandum of understanding on the use of the facilities.

The Minister of Finance approved, in December 2021, a \$2.0 billion National Land Transport Programme Loan 2021-2024 to support the implementation and delivery of the National Land Transport Programme 2021-2024.

Certification

Management certifies the following:

- Each loan facility is being used for the purpose that it has been approved and that the terms and conditions of each loan facility are being met (refer Part 3).
- The National Land Transport Fund's long-term forecast shows that Waka Kotahi expects to be able to pay the borrowing servicing costs and unitary charges to the operators as they fall due.



Signed by the
Chief Financial Officer
Howard Cattermole



Signed by the
Chief Executive
Nicole Rosie

PART 1: FINANCING RATIOS

Based on current borrowing, annual debt servicing costs associated with debt and long-term liabilities are expected to average around 5.4% of annual NLTF inflows in 2022/23.

Total debt as a percentage of annual revenue is expected to be 89.3%.

	12 months to June 2023 \$m	change from prior year \$m
Debt Management		
Annual debt servicing costs (including PPP unitary charges)	255.3	78.3
Total debt at period end*	4,257.1	1,259.6
NLTF annual inflows (including opening cash balance)	4,767.2	205.2
Annual discretionary expenditure**	1,729.8	(754.8)
Debt Management Ratios (internal limits)		
Annual debt servicing costs/NLTF annual inflows <=10%	5.4%	1.5%
Total debt at period end/NLTF annual inflows <=250%	89.3%	23.6%
Annual debt servicing costs/annual discretionary expenditure*** <=33%	14.8%	7.6%

* Total debt excludes derivative financial liabilities and seasonal facility

** Discretionary expenditure available from NLTF inflows after funding to support:

- debt servicing costs including PPP unitary charges
- contractual commitments
- anticipated funding to approved organisations.

	12 months to June 2023 \$m	change from prior year \$m
Estimated Annual Discretionary Expenditure Calculation		
NLTF annual inflows (including opening cash balance)	4,767.2	205.2
Add available Debt Facilities	2,300.0	(125.0)
Total Funds available	7,067.2	80.2
Less committed expenditures	5,561.9	893.2
Add Annual debt servicing costs (included in the committed expenditure) *	224.5	58.1
Annual Discretionary Expenditure	1,729.8	(754.8)

* PPP estimated repayments and related interest rate swap

PART 2: NLTP \$2B LOAN FACILITY USE OF FUNDS

Facility 3 - National Land Transport Programme Loan 2021 - 2024

The National Land Transport Programme Loan 2021-2024 with loan facility of \$2.0 billion will support Waka Kotahi with the implementation and delivery of the National Land Transport Programme 2021-2024.

Based on our current modelling, we expect to draw down around \$0.9 billion in borrowings in the 9-month period from 1 April to 31 December 2023. We will draw down \$100 million from the shock facility this April to cover the decreases in revenue – bringing the total drawdown to \$250 million (the maximum). We would then draw \$550 million from the \$2 billion facility with use of the \$250 million seasonal facility over the year-end cash flow peak. Note that this forecast is before the recent flooding and weather events in the Upper North Island.

Drawdown profile for the 9 months 1 April to 31 December 2023 (excluding short-term facilities)

Actual draw down dates	\$m
April 2022	200
December 2022	200
Expected Quarterly Draw dates	
1 April to 30 June 2023	550
1 July to 30 September 2023	0
1 October to 31 December 2023	0
Total Forecast drawn downs (9 months) (note this excludes shock / seasonal of \$500m)	550

Current Loan allocation by activity class and estimated spend for NLTP 21-24

- NLTP forecast revenue is ca. \$510 million lower than when the NLTP was adopted (\$13.5b v \$14.0b)*.
- The 3-year forecasted spend of \$16.1 billion is within the revised investment target ranges of \$15.6 - \$16.1 billion. However, there is significant uncertainty in the forecast. It is likely that all or most of the \$2.5 billion in facilities will be required to meet forecast investment. We review the forecasts on an ongoing basis and will reflect updated forecasts in the next quarterly report.

Activity Class	Activity Class Debt allocation \$m	12 -months to 30/6/2022 \$m	3-years to 30/6/2024 \$m ¹	Revised Investment Target Ranges \$m ²
Revenue (including RNIP Crown funding)		4,422*	13,490*	14,001*
Expenditure				
State highway improvements	66.1	1,033.8	2,798.6	2,530-2,640
Local road improvements	102.2	142.1	489.2	485-525
Walking and cycling improvements	82.1	133.6	497.8	515-550
State highway maintenance	93.9	829.7	2,845.0	2,805
Local road maintenance	43.5	736.3	2,416.3	2,339
Public transport services	4.7	430.9	1,459.2	1,370-1,480
Public transport infrastructure	118.2	347.4	1,508.8	1,520-1,640
Road to Zero	39.4	692.4	2,606.0	2,530-2,660
Coastal shipping	0	0	30.0	30
Investment management	0	60.1	249.7	250
Rail network investment programme	0	286.6	1,200.0	1,200
NLTP approved expenditure	550.0	4,692.9	16,100.6	15,574-16,119

*excluding cash opening balance of \$256m

¹ Central forecast as at February 2023

² Revised Investment Target ranges adopted by the Waka Kotahi Board in September 2022 for NLTP21-24

PART 3: BORROWING FACILITY COMPLIANCE

Facility 1 - Revolving Loan Facility

LOAN CONDITIONS FOR THE REVOLVING LOAN FACILITY

	CONDITION	COMMENT
1	Borrowing must be used solely for the purposes of managing cash flow variations between the hypothecated revenue inflows and expenditure outflows of the National Land Transport Fund as provided for under section 10 (1) (b) of the Land Transport Management Act 2003 (LTMA).	Condition met
2	Up to \$250.0 million to manage regular seasonal cash flow cycles. This cash flow component of the facility must be fully repaid at least once per financial year.	Zero balance compliance as at 31 March 2023
3	Up to \$250.0 million to cover any revenue or expenditure shocks. Drawdowns under the shock component of the facility must be fully repaid within four years of the drawdown date.	\$150m loan drawn down in November 2022; \$100m in April 2023

Facility 2 - COVID-19 NLTF Borrowing

LOAN CONDITIONS FOR THE COVID-19 NLTF BORROWING FACILITY

	CONDITION	COMMENT
1	Borrowing must be used solely for the purposes of managing [revenue] impacts on the National Land Transport Fund arising from COVID-19 as per the Notice of Loan Facility dated 07 June 2020.	Condition met
2	Up to \$425.0 million may be drawn in tranches, so long as the total of all tranches does not exceed the Facility Amount. The amount of drawdown must not be less than \$10.0 million.	Condition met
3	In addition to the information required to be provided in a drawdown request as set out in Schedule 4 of the Master Agreement, in each drawdown request for this facility, Waka Kotahi must provide the Crown with: (a) A summary of the cashflow position in respect of the National Land transport Fund as at the date of the drawdown request; and (b) A forecast of the cashflows in respect of the National Land Transport Fund for the six months following the date of the drawdown request.	Conditions met – noting we have provided a 9 month forecast

4 s 9(2)(b)(ii)

s 9(2)(b)(ii)

Facility 3 - National Land Transport Programme Loan 2021 - 2024

LOAN CONDITIONS FOR THE NLTP LOAN 2021-2024 FACILITY

	CONDITION	COMMENT
1	Waka Kotahi must use this Facility to fund National Land Transport Plan 2021-2024 approved activities.	Conditions met
2	This Facility may be drawn in tranches, so long as the total of all tranches outstanding does not exceed the Facility Amount for this Facility. The amount of a drawdown must not be less than \$10,000,000.	Conditions met
3	s 9(2)(b)(ii)	Conditions met

s 9(2)(b)(ii)		
4	<p>In addition to the undertakings in the Master Agreement, Waka Kotahi agrees that:</p> <p>(a) Quarterly Reporting; it will include, with its quarterly report to the Minister:</p> <p>(i) details of each drawdown requested under the Facility;</p> <p>(i) a forecast of each drawdown to be requested under the Facility in the six months following the date of the report; and</p> <p>(ii) total spend by activity class and forecast spend for each activity class; and</p>	Conditions met (refer Part 2 above)
s 9(2)(b)(ii)		

Facility 4 - Waka Kotahi Regulatory Loans

LOAN CONDITIONS

	CONDITION	COMMENT
1	Borrowing must be used solely for the purposes of managing cash flows of Waka Kotahi NZ Transport Agency to fund approved regulatory cost pressures as per the Notice of Loan Facility dated 30 March 2020.	Condition met

2	<p>Up to \$95.0 million for the purpose of managing the cash flows of Waka Kotahi NZ Transport Agency.</p> <p>(i) The loan has availability period commencement date of 1 March 2020 and termination date of 30 June 2024.</p> <p>(ii) The loan has facility termination date of 10 years (8 April 2030) after the initial drawdown.</p> <p>(iii) The principal must be fully repaid upon the facility termination date of 8 April 2030 and interest payment must commence 8 April 2023, three years after initial drawdown.</p>	Conditions met
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Facility 5 - Auckland Transport Package

LOAN CONDITIONS

	CONDITION	COMMENT
1	Borrowing must be used solely for the purposes of managing cash flows of the National Land Transport Fund for the acceleration of projects in the Auckland Transport Package as per the Notice of Loan Facility dated 27 June 2014.	Condition met
2	<p>Up to \$375.0 million for the purpose of managing the advancement of cash flows for the National Land Transport Fund.</p> <p>(i) Specifically, borrowing is permitted up to \$375.0 million as per the approved appropriations below.</p> <p>(ii) The Minister of Finance and the Minister of Transport are authorised to transfer forward capital expenditure, if required, within the total loan amount of \$375.0 million.</p> <p>(iii) The loan must be repaid by 30 June 2027.</p>	Condition met

Facility 6 - Tauranga Eastern Link

The full \$107.0 million of this facility was drawn down on 30 June 2015. This facility is a series of fixed rate loans ranging from s 9(2)(b)(ii) being repaid from 2034 with a floating rate loan of \$20 million due to be repaid in 2050. Toll revenue will be used to cover repayments with any shortfall covered from the National Land Transport Fund. Any shortfall would ultimately be recovered from future toll revenues. Current modelling shows that the loan will be repaid by 2040. The actual repayment date may vary from the date indicated due to future interest rate changes, CPI changes and changes in traffic volumes.

LOAN CONDITIONS

	CONDITION	COMMENT
1	Borrowing must be used solely to contribute to the costs of the construction and tolling operations for the Tauranga Eastern Link Roading Project as per the Notice of Loan Facility dated 18 June 2015	Condition met
2	<p>Waka Kotahi agrees to the drawdown terms as specified in the Master Facility Agreement, and notes:</p> <p>(i) The loan has an availability period termination date of 30 June 2015</p>	Condition met

	(ii) The facility termination date is 35 years after the Availability Period Commencement Date, defined as the date NZDMO receives NZTA's Confirmation of Facility	
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Facility 7 - Housing Infrastructure Fund (HIF)

The \$1 billion Housing Infrastructure Fund (HIF) was established to accelerate infrastructure projects and support housing development in New Zealand's high growth urban areas. Waka Kotahi's approved share of the HIF loan facility amounts to \$357.0 million.

LOAN CONDITIONS

	CONDITION	COMMENT
1	Borrowing must be used solely for the purposes of managing cash flows of the National Land Transport Fund for the financing of infrastructure to facilitate residential development in relation to the Housing Infrastructure Fund Loans as per the Notice of Loan Facility dated 27 June 2014.	Condition met
2	Waka Kotahi agrees to the drawdown terms including: <ul style="list-style-type: none"> (i) The amount of the drawdown must not be more than the available facility; (ii) Must not be less than \$1.0 million; (iii) Must be a multiple of \$500.0 thousand; (iv) The drawdown date must be a business day; and (v) The drawdown maturity date must be specified. 	Condition met

PART 4: PUBLIC-PRIVATE PARTNERSHIPS

The operational agreements for both the Transmission Gully and Pūhoi to Warkworth projects require Waka Kotahi to pay a unitary charge to the contractors from the time the section of state highway becomes operational. The unitary charge has an interest component which the contractor has provision to re-price at intervals during the repayment period commencing in financial year 2020/21.

Waka Kotahi has designated Interest Rate Swaps as hedging instruments to avoid material direct impact on its surplus or deficit, if market interest rates fluctuate materially between periods. Waka Kotahi measures the effectiveness of the hedging relationship on a semi-annual basis.

Transmission Gully

Waka Kotahi has entered into a public-private partnership agreement for the delivery of a stretch of state highway through Transmission Gully. The contractor will design, build, finance, operate and maintain the section of state highway.

Waka Kotahi has entered interest rate swap (IRS) contracts with NZ Debt Management Office as a hedge against fluctuating interest rates. The total forecast payments exposed to interest rate risk is fully hedged with a fixed interest rate of ^{s 9(2)(b)(ii)}. The remaining notional amount of the IRS contract is \$833.6 million, effective from 22 February 2023 which amortises to zero by 22 October 2043.

Pūhoi to Warkworth

Waka Kotahi has entered into a public-private partnership agreement for the Pūhoi to Warkworth project which will extend the four-lane Northern Motorway (SH1) 18.5km from the Johnstone's Hill tunnels just south of Pūhoi to a point north of Warkworth.

The total forecast payments exposed to interest rate risk is fully hedged with a fixed interest rate of ^{s 9(2)(b)(ii)}. The remaining notional amount of the IRS contract is \$765.0 million, effective from 29 August 2023 which amortises to zero by 28 August 2045.