

EA to Board to insert**BOARD PAPER**

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Recommended by:	Howard Cattermole, General Manager Investment & Finance
Board function:	Providing financial assurance to stakeholders and the Board
Subject:	Current and Future Financing Arrangements

It is recommended that the NZ Transport Agency Board resolves to...

- **Out of Scope**
- **Note** the next steps being undertaken by the NZ Transport Agency to investigate funding and financing arrangements for the Auckland Light Rail Project and Let's Get Wellington Moving (LGWM).
- **Out of Scope**

Pending financing decisions related to Auckland Light Rail and Let's Get Wellington Moving will test the current framework

- The Government Policy Statement on Land Transport (GPS) sets indicative ten year funding for Rapid Transit (including for the 2018-21 National Land Transport Programme (NLTP))

\$million	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
Upper	310	300	150	150	180	540	830	910	710	780	4,860
Lower	60	60	30	0	70	220	340	370	290	320	1,760

2018-2021 NLTP

- Conceptually, the ten year funding range assumes early delivery of Auckland Light Rail from the City Centre to Mangere (CC2M) at 100% NLTF share with debt financing - PAYGO funding alone is not feasible. The funding ranges, including during NLTP 2018-2021, were set deliberately wide to reflect uncertainty over both project expenditures and potential delivery/financing arrangement (debt finance, PPP, etc)
- The potential impact on NLTF cash flows from funding CC2M on a PAYGO, debt financed or as a PPP are illustrated in Attachment Three. The impact on one of the Transport Agency's key financing measures (debt servicing costs as a percentage of NLTF inflows) is illustrated in Attachment Four

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Pending financing decisions related to Auckland Light Rail and Let's Get Wellington Moving will test the current framework continued

- While original GPS assumptions were based around fully funding CC2M (that is, assuming 100% NLTF share), funding was latterly characterised as “seed funding” for rapid transit in metropolitan areas, with recognition of the need for alternative funding and financing arrangements
- The Minister of Transport has requested the Transport Agency lead preparation of advice on a recommended programme of investment for Let's Get Wellington Moving (LGWM), including funding and financing arrangements. (Note: The full scope of LGWM includes significant state highway and other urban development investments, in addition to rapid transit)

Financing decisions related to Auckland Light Rail and Let's Get Wellington Moving

- Proposed funding and financing arrangements for Auckland Light Rail, including the second line to the North West, and LGWM need to combine project/location specific factors with national considerations
- Development of the business case for Auckland Light Rail will include more detailed modelling of project cash flows, including funding assumptions (for example, assumed NLTF contributions, farebox recovery, value capture) and financing options
- Work is now underway to develop similar modelling for LGWM, in conjunction with Wellington City Council (WCC) and Greater Wellington Regional Council (GRWC)
- The national overlay needs to consider the combined effects of LGWM and Auckland Light Rail including:
 - ensuring consistency, where appropriate, of assumptions behind funding approaches that are common to both projects;
 - ensuring consistency and equity of NLTF funding assumptions, including at an activity class level;
 - considering the impact on the NLTF and Transport Agency financing metrics;
 - considering options for alternative financing arrangements (including Special Purpose Vehicles, non-Crown equity holdings)

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Financing decisions related to Auckland Light Rail and Let's Get Wellington Moving continued

- To establish a financially viable programme encompassing both projects requires an iterative approach taking into account the national impacts when developing the individual project business cases
- Levers for managing within the national financial constraints (primarily managing NLTF allocations) include:
 - **Project level**
 - De-scoping or deferring project expenditures
 - Identifying additional project and/or local authority funding streams
 - Investigating alternative financing structures such as SPVs and procurement models such as PPPs
 - **National level**
 - Allocation of NLTF funding/fund assistance rates
 - Increases to, or additional sources of, land transport revenue
 - Reviewing existing Transport Agency financing metrics