

In confidence

## NLTP 2024-27 development update

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## Kia mōhio mai koe | What you need to know

### Summary of the changes from the draft GPS

The updated draft GPS contains some notable revisions to the publicly consulted draft. In particular:

- The pre-eminence of economic growth and productivity is reinforced now being termed the “overriding” (rather than top) GPS priority;
- The upper limits of GPS ranges in 2025/26 and 2026/27 for public transport improvements and state highway improvements have each been increased by \$1 billion;
- A statement is added that existing public transport services will continue to be funded where they achieve value for money, reduce congestion and increase patronage;
- Commentary notes a resetting of the approach to speed, to ensure that road safety is delivered in an efficient and cost-effective manner and public sentiment and acceptability are considered more directly;
- A statement is included that reinforces commitment, and funding restricted to a single National Ticketing System (NTS). In particular, there is an expectation that NZTA should not co-fund PTAs’ ticketing systems unless they are supporting delivery of NTS;
- It is clarified that, where multi-modal elements are required as a condition of an existing roading consent, these can be funded from state highway improvements (at minimised cost).

In isolation, the GPS revisions do not create the need to revise investment targets.

### Summary of notable transport announcements from Budget 2024

Two Budget 2024 announcements are directly relevant to the NLTP.

- Additional funding for North Island weather event recovery and state highways and local roads. The state highway funding is in line with that requested for recovery. However, funding for strategic rebuild is not addressed. Local road recovery funding is limited to 2024/25 and is materially less than will be required to co-fund full recovery. Given the priority of completing the rebuild and recovery, the absence of confirmed funding requires an assumption about the extent with which the NLTF (unsupported by further Crown grants) should be used for NIWE. Our working assumption is that the NLTF is not used given the commentary provided with the Budget outcomes indicating the process and conditions for accessing further funding.
- A tagged contingency (TC) is included of up to \$1 billion for capital investment for the Roads of National Significance (RONS) and public transport infrastructure projects.

A tagged contingency introduces options that might cause the investment target scenario endorsed by the Board in May to be revised. In broad terms:

Option at NLTP adoption <sup>1</sup>	Pros	Cons
<b>1. Do nothing</b>	<ul style="list-style-type: none"> <li>Fiscally prudent</li> <li>Endorsed targets and indicative allocation to continuous programmes unaffected</li> <li>Treats TC as a genuine contingency</li> </ul>	<ul style="list-style-type: none"> <li>Creates risks that could be addressed by altering targets</li> <li>May in hindsight be viewed negatively by councils if TC unused</li> </ul>
<b>2. Modest adjustments</b>	<ul style="list-style-type: none"> <li>Balances prudence with risk</li> <li>Eliminates obvious pressure points in some ACs</li> </ul>	<ul style="list-style-type: none"> <li>May be viewed as not fully aligned with the purpose of the TC</li> </ul>
<b>3. Maximum utilisation</b>	<ul style="list-style-type: none"> <li>Allows most activity classes to be funded at “preferred” levels</li> </ul>	<ul style="list-style-type: none"> <li>May be viewed as not fully aligned with the purpose of the TC</li> <li>Introduces risk of not meeting TC criteria and having to re-adjust targets to fully fund PTI and SHI</li> </ul>

Our proposed approach is Option 2. Recognising the additional flexibility created by the \$1 billion tagged contingency, we believe this option balances two factors: meeting some additional funding demand in activity classes that could be boosted to better support GPS priorities; while retaining access to sufficient funding to match the likely pace of delivery in state highway improvements (SHI) and public transport infrastructure (PTI). In discussion with the Minister’s office regarding the conditions of the tagged contingency, the above options were canvassed and Option 2 was supported.

Acknowledging the increase in the funding ranges for SHI and PTI, we are not proposing an increase in those investment targets at this stage, noting no additional funding is as yet available. To accommodate the role of the tagged contingency, SHI and PTI projects that align with the GPS but that are not affordable within the existing investment targets, can be included in the NLTP as possible activities. Funding for these activities can then be considered on a case-by-case basis subject to meeting the tagged contingency conditions stipulated in the “Outcome of Budget 2024” letter (8 May 2024).

### Update of investment targets

We are proposing updates to the investment targets endorsed by the Board in May to reflect these changes. A summary is below:

Investment targets (\$m)	Previous	Updated	Change
SH Pothole Prevention	2,072	2,072	
SH Operations	2,303	2,303	
LR Pothole Prevention	1,840	1,900	+60
LR Operations	1,330	1,330	
PT Services	1,930	1,955	+25
Investment Management	265	265	
Safety	1,600	1,630	+30

<sup>1</sup> A sub-option could be to increase non-SHI/PTI targets and rely on more TC during the course of the NLTP

Investment targets (\$m)	Previous	Updated	Change
Rail Network	740	740	
PT Infrastructure	1,550	1,550	
SH Improvements	4,100	3,935	-165
LR Improvements	460	510	+50
Walking and Cycling	310	310	
<b>TOTAL</b>	<b>18,500</b>	<b>18,500</b>	<b>nil</b>

The scale of changes is at the margin but help to alleviate some of the more obvious “pain points” of the previous targets. This also acknowledges, that the primary intent of the TC is to ensure large infrastructure projects in the SHI and PTI activity classes can be advanced without funding being an undue restriction. Any further adjustment to initial investment targets can be made in conjunction with the assessment and prioritisation of improvement activities (refer below) and final NLTP adoption and once an assessment of nationally delivered activities (NDAs) is completed<sup>2</sup>. Moreover, targets may be adjusted during the NLTP based on funding demand, pace of spend etc.

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<sup>2</sup> For example, an increased level of funding for the safety camera programme

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## Ngā tūraru matua | Key risks and how we will manage them

Key risk	Management
Increased funding in the draft GPS results in heightened expectations when much of this funding is already committed.	<ul style="list-style-type: none"><li>Communications will continue to indicate where funding is substantially committed.</li></ul>
There is a lack of certainty around forecast spend within activity classes. This is caused by delayed work resulting from local government funding constraints, greater than forecast inflation or other external factors.	<ul style="list-style-type: none"><li>Risk adjustments and where appropriate over-programming will occur within activity classes to account for these, where possible.</li></ul>
GPS direction, NLTF constraint and activity class ranges may result in some projects/programmes being stopped or slowed.	<ul style="list-style-type: none"><li>Communications with the Minister and Ministry of Transport including feedback on the draft GPS have highlighted funding constraint implications. Explore alternative revenue and other funding options as needed.</li></ul>
Construction industry capacity may not grow fast enough to deliver on the ambition of GPS 2024 and/or result in cost increases.	<ul style="list-style-type: none"><li>Where possible ensure the scale and scope of maintenance programmes and projects account for capacity of the market to deliver.</li><li>Changes to the new maintenance delivery model (Integrated Delivery Model) seek to grow capacity of the market to deliver.</li></ul>
Cost inflation/ escalation remains high (or worsens) driving up the cost of projects even further with an accentuated risk to ongoing operational programmes.	<ul style="list-style-type: none"><li>Ensure ongoing scrutiny and challenge of cost forecasting including in line with NZTA's updated cost estimation manual.</li></ul>

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## Attachment 1

### Revised allocations for local road pothole prevention

Organisation Name	Region	May 2023 Board Meeting – 2024-27 Indicative Allocation (NLTF Share)	Updated 2024-27 Indicative Allocation (NLTF Share)	Change	Percentage Change
Ashburton District Council	Canterbury	\$ 16,677,000	\$ 16,677,000	\$ -	0%
Auckland Transport	Auckland	\$ 466,050,000	\$ 478,000,000	\$ 11,950,000	3%
Buller District Council	West Coast	\$ 8,167,500	\$ 8,167,500	\$ -	0%
Carterton District Council	Wellington	\$ 5,947,500	\$ 6,100,000	\$ 152,500	3%
Central Hawkes Bay District Council	Hawkes Bay	\$ 16,581,707	\$ 17,006,879	\$ 425,172	3%
Central Otago District Council	Otago	\$ 10,745,700	\$ 10,745,700	\$ -	0%
Chatham Islands Council	Chatham Islands	\$ 9,440,640	\$ 10,188,640	\$ 748,000	8%
Christchurch City Council	Canterbury	\$ 77,750,775	\$ 81,600,000	\$ 3,849,225	5%
Clutha District Council	Otago	\$ 25,724,332	\$ 26,729,332	\$ 1,005,000	4%
Dunedin City Council	Otago	\$ 42,266,250	\$ 43,350,000	\$ 1,083,750	3%
Environment Southland	Southland	\$ -	\$ -	\$ -	
Far North District Council	Northland	\$ 67,000,925	\$ 69,083,000	\$ 2,082,075	3%
Gisborne District Council	Gisborne	\$ 47,968,772	\$ 47,968,772	\$ -	0%
Gore District Council	Southland	\$ 7,975,750	\$ 8,086,770	\$ 111,020	1%
Grey District Council	West Coast	\$ 7,566,000	\$ 8,300,000	\$ 734,000	10%
Hamilton City Council	Waikato	\$ 33,151,744	\$ 34,047,558	\$ 895,814	3%
Hastings District Council	Hawkes Bay	\$ 32,143,140	\$ 32,967,323	\$ 824,183	3%
Hauraki District Council	Waikato	\$ 19,587,000	\$ 20,057,000	\$ 470,000	2%

Organisation Name	Region	May 2023 Board Meeting – 2024-27 Indicative Allocation (NLTF Share)	Updated 2024-27 Indicative Allocation (NLTF Share)	Change	Percentage Change
Horowhenua District Council	Manawatu/Whanganui	\$ 7,827,454	\$ 7,827,454	\$ -	0%
Hurunui District Council	Canterbury	\$ 10,418,850	\$ 10,686,000	\$ 267,150	3%
Hutt City Council	Wellington	\$ 14,885,000	\$ 14,885,000	\$ -	0%
Invercargill City Council	Southland	\$ 16,926,900	\$ 17,946,900	\$ 1,020,000	6%
Kaikoura District Council	Canterbury	\$ 2,289,776	\$ 2,348,488	\$ 58,712	3%
Kaipara District Council	Northland	\$ 30,775,095	\$ 31,564,200	\$ 789,105	3%
Kapiti Coast District Council	Wellington	\$ 9,262,500	\$ 9,500,000	\$ 237,500	3%
Kawerau District Council	Bay of Plenty	\$ 1,160,000	\$ 1,159,500	-\$ 500	0%
Mackenzie District Council	Canterbury	\$ 4,437,000	\$ 4,638,450	\$ 201,450	5%
Manawatu District Council	Manawatu/Whanganui	\$ 11,829,000	\$ 11,829,000	\$ -	0%
Marlborough District Council	Marlborough	\$ 20,547,109	\$ 21,073,958	\$ 526,849	3%
Masterton District Council	Wellington	\$ 15,906,291	\$ 16,314,145	\$ 407,854	3%
Matamata-Piako District Council	Waikato	\$ 16,298,580	\$ 16,298,169	-\$ 411	0%
Napier City Council	Hawkes Bay	\$ 9,936,809	\$ 10,191,599	\$ 254,790	3%
Nelson City Council	Nelson	\$ 6,825,000	\$ 7,000,000	\$ 175,000	3%
New Plymouth District Council	Taranaki	\$ 22,425,000	\$ 25,550,000	\$ 3,125,000	14%
Opotiki District Council	Bay of Plenty	\$ 6,600,788	\$ 7,046,250	\$ 445,463	7%
Otorohanga District Council	Waikato	\$ 12,375,909	\$ 12,693,240	\$ 317,331	3%
Palmerston North City Council	Manawatu/Whanganui	\$ 16,866,720	\$ 17,299,200	\$ 432,480	3%
Porirua City Council	Wellington	\$ 12,803,431	\$ 14,180,000	\$ 1,376,569	11%
Queenstown-Lakes District Council	Otago	\$ 18,239,130	\$ 19,004,130	\$ 765,000	4%



Organisation Name	Region	May 2023 Board Meeting – 2024-27 Indicative Allocation (NLTF Share)	Updated 2024-27 Indicative Allocation (NLTF Share)	Change	Percentage Change
Rangitikei District Council	Manawatu/Whanganui	\$ 17,838,080	\$ 18,295,467	\$ 457,387	3%
Rotorua Lakes Council	Bay of Plenty	\$ 20,898,623	\$ 21,449,100	\$ 550,478	3%
Ruapehu District Council	Manawatu/Whanganui	\$ 25,150,735	\$ 25,150,735	\$ -	0%
Selwyn District Council	Canterbury	\$ 25,334,888	\$ 26,609,888	\$ 1,275,000	5%
South Taranaki District Council	Taranaki	\$ 22,413,197	\$ 22,987,894	\$ 574,697	3%
South Waikato District Council	Waikato	\$ 12,458,282	\$ 12,798,340	\$ 340,059	3%
South Wairarapa District Council	Wellington	\$ 7,605,000	\$ 7,605,000	\$ -	0%
Southland District Council	Southland	\$ 44,964,563	\$ 46,889,563	\$ 1,925,000	4%
Stratford District Council	Taranaki	\$ 9,879,566	\$ 9,879,566	\$ -	0%
Tararua District Council	Manawatu/Whanganui	\$ 31,646,114	\$ 32,457,553	\$ 811,439	3%
Tasman District Council	Tasman	\$ 25,235,370	\$ 25,882,431	\$ 647,061	3%
Taupo District Council	Waikato	\$ 12,967,500	\$ 13,810,000	\$ 842,500	6%
Tauranga City Council	Bay of Plenty	\$ 36,270,000	\$ 40,430,000	\$ 4,160,000	11%
Thames-Coromandel District Council	Waikato	\$ 18,612,068	\$ 19,089,300	\$ 477,233	3%
Timaru District Council	Canterbury	\$ 19,312,425	\$ 20,332,425	\$ 1,020,000	5%
Upper Hutt City Council	Wellington	\$ 7,693,263	\$ 7,890,526	\$ 197,263	3%
Waikato District Council	Waikato	\$ 45,431,000	\$ 45,431,000	\$ -	0%
Waikato Regional Council	Waikato	\$ -	\$ -	\$ -	
Waimakariri District Council	Canterbury	\$ 14,793,188	\$ 15,558,188	\$ 765,000	5%
Waimate District Council	Canterbury	\$ 9,910,195	\$ 10,155,585	\$ 245,390	2%
Waipa District Council	Waikato	\$ 17,510,440	\$ 17,510,440	\$ -	0%

Organisation Name	Region	May 2023 Board Meeting – 2024-27 Indicative Allocation (NLTF Share)	Updated 2024-27 Indicative Allocation (NLTF Share)	Change	Percentage Change
Wairoa District Council	Hawkes Bay	\$ 21,830,884	\$ 22,268,745	\$ 437,861	2%
Waitaki District Council	Otago	\$ 16,750,163	\$ 18,118,163	\$ 1,368,000	8%
Waitomo District Council	Waikato	\$ 18,991,565	\$ 22,366,565	\$ 3,375,000	18%
Wellington City Council	Wellington	\$ 34,619,115	\$ 34,619,115	\$ -	0%
Western BoP District Council	Bay of Plenty	\$ 20,475,000	\$ 21,000,000	\$ 525,000	3%
Westland District Council	West Coast	\$ 7,046,000	\$ 7,046,000	\$ -	0%
Whakatane District Council	Bay of Plenty	\$ 21,242,650	\$ 21,242,650	\$ -	0%
Whanganui District Council	Manawatu/Whanganui	\$ 19,408,020	\$ 19,408,020	\$ -	0%
Whangarei District Council	Northland	\$ 46,649,275	\$ 48,389,000	\$ 1,739,725	4%
Waitangi Trust	National	\$ 93,400	\$ 93,400	\$ -	0%
DOC National	National	\$ 6,680,751	\$ 6,852,052	\$ 171,301	3%
<b>Sub Total</b>		<b>\$ 1,803,092,393</b>	<b>\$ 1,859,727,866</b>	<b>\$ 56,635,473</b>	<b>3%</b>
<b>Additional Contingency</b>				<b>\$ 3,364,527</b>	
<b>Total</b>				<b>\$ 60,000,000</b>	

Attachment 2

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## Attachment 3

### Explanation of rail funding

- KiwiRail develops a three-year infrastructure investment programme for network maintenance, the Rail Network Investment Programme (RNIP). The RNIP outlines funding required from the NLTF over the 3-year period, as well as funding that will come from other sources (Crown) and include a 10-year financial outlook.
- Once complete, KiwiRail provides the programme to NZTA to consider. NZTA provides advice to the Minister of Transport on whether the RNIP should be approved and funded.
- The RNIP draws funds from two activity classes:
  - **Rail Network** – funds KiwiRail for their 10-year infrastructure programme on the national freight and tourism network. Eligible activities are maintenance, operations, renewals, and improvements.
  - **Public Transport Infrastructure** – funds KiwiRail directly for new infrastructure improvements in the Auckland and Wellington metros. Eligible activities are improvement and renewal projects.
- As a 'national network' provider, with no access to local share, all investments to KiwiRail are at 100% funding assistance rate.

#### KiwiRail activities funded through Rail Network

- The Crown contributes significantly to the cost of the rail network activity class programme by topping-up the NLTF.
  - Through GPS2021, NZTA invested at the lower bound of the GPS range (\$120m per annum) with the Crown contributing the remaining funding. (Effectively, 30% NLTF, 70% Crown).
  - Through the draft GPS2024, the level of investment from the NLTF is proposed to be capped at the level of the Track User Charge ca. \$20m per annum from the NLTF with the remainder coming from the Crown. Based on its final cost this might be more like 5% NLTF, 95% Crown.
- Importantly, following the approval of the RNIP, the associated NLTF funding is appropriated and transferred to KiwiRail to deliver the activities in the RNIP. The decision on this appropriation is reserved to the Minister and falls outside the statutory decision-making powers of the Board. Importantly this process also includes funding from the Public Transport Infrastructure Activity Class (refer below).
- Activities that extend into future NLTP periods do not draw additional funds as the RNIP appropriation is multi-year and carries forward across NLTP periods.

#### KiwiRail activities funded through PT Infrastructure

Prior to 2021, NLTF investments in metro rail infrastructure flowed through Approved Organisations. Some of those activities are still ongoing, but are now nearing completion.

Since 2021, the NLTF funds KiwiRail directly through the PT infrastructure activity class for new infrastructure and renewals in the metro networks. This includes infrastructure such as depots and other facilities, double tracking, traction and power, and new rail links - all to support the operation of passenger rail services that improve the reliability and capacity of the corridor.

A significant portion of the \$1,550m investment target in PT Infrastructure for 2024-27 will be needed to fund the ongoing delivery of metro rail projects (Wellington Metro Upgrades \$44m, Auckland Rail Network Rebuild \$103m, Lower North Island Rail Integrated Mobility \$139m).

Advice to the Minister on funding from the PT infrastructure Activity Class is informed by the NLTP moderation process. The advice identifies any projects that have priority below the level needed to be included in the NLTP and recommends these are not funded.

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