

# INVESTMENT SIGNALS – MARCH 2021

## National Land Transport Programme (NLTP) 2021-24

### Moderation update

- Last month we held several moderation sessions with local government and Ministry of Transport observers to ensure new activities and programmes submitted for inclusion in the 2021-24 NLTP were being fairly and consistently assessed.
- Thank you for the significant work that has gone into preparing your final continuous programme bids and improvement submissions. As always, we appreciate seeing well-evidenced and thorough proposals which include justification for value, scale and focus.
- We are working through your submitted bids and your Investment Advisor will soon be in touch to discuss the impact of the moderation. This discussion will concentrate on the level of deliverables likely to be achieved should final funding approvals in each activity class be around the lower end of the investment range set within the GPS.
- It is important to note that the funding envelope has slightly improved with a higher revenue forecast since we released our November 2020 investment signals. However, there continues to be significant funding pressure on the 2021-24 NLTP. See the section below on funding availability for more detail.
- Even with the higher revenue forecast there is very limited funding available (around \$600 million) above the bottom of the activity ranges.

### Feedback on bids and programmes

#### Continuous programmes

- The bids and submissions for continuous programmes (public transport, local roads and state highway maintenance and road safety promotion) are currently at, or beyond, the upper funding limits of the GPS. It will not be possible to fund all of these.
- We recognise that there are market pressures in certain areas which have contributed to an increase in costs for some of your continuous programmes.
- However, it is important that bids are both affordable and appropriately sized given that maintenance and renewals activities are designed to maintain current levels of service. We are continuing to test these to confirm this is the case.
- We are also working on understanding the risks and outcomes of delivering your continuous programmes in the constrained funding environment.

#### Improvement activities and low cost low risk programmes

- Improvement bids and low cost low risk programmes were moderated to ensure the Investment Prioritisation Method (IPM) was consistently applied and that activities were in the appropriate activity class. Final decisions on improvement activities and low cost low risk programmes will take place after we receive final RLTPs in June.
- There will be limited funding available for discretionary activities in improvement activity classes.

- A number of projects that were approved in the 2018-21 NLTP, or earlier, have substantial costs still coming through into the 2021-24 NLTP. This is particularly the case for State Highway Improvements and Walking and Cycling activities.
- We recognise that not knowing whether significant capital projects will be included in the NLTP can be a challenge, particularly given the current economic climate. Please continue to work closely with your Investment Advisor to understand how the moderation process is progressing.
- In this constrained environment, your accurate forecasting is critical, as it provides a good understanding of commitments that will need to be carried forward into the 2021-24 NLTP.

## **Funding availability for the 2021-24 NLTP**

- The GPS sets minimum spending targets for each activity class which are close to the current forecast revenue for the National Land Transport Fund (NLTF) during 2021-24. The lower limits for all activity classes require minimum expenditure of \$12.9 billion from an updated forecast revenue of \$13.5 billion. The increase is based on the latest Treasury forecasts.
- Any revenue forecast remains vulnerable to further COVID-19 related lockdowns.
- At this time more than 90% of anticipated revenue from the NLTF for the 2021-24 NLTP will be required to meet existing commitments for projects underway and for continuous programmes to maintain existing levels of service.
- We recognise some activity classes, such as State Highway and Local Road Maintenance and Public Transport Services are likely to require greater investment than the bottom of the activity class range. This leaves very little room for project-related spend above the bottom of the activity class (State Highway Improvements, Road to Zero, Public Transport Infrastructure, Rail and Coastal Shipping).
- Funding at a higher point within the GPS activity class ranges would require additional revenue and we are working with the Ministry of Transport and Treasury to identify what alternative revenue sources may be able to be accessed.