Office of the Minister of Transport

Chair
Cabinet Economic Growth and Infrastructure Committee

NATIONAL LAND TRANSPORT PROGRAMME: FUNDING ISSUES

Proposal

1. I propose that Cabinet agree to a package of initiatives to allow the National Land Transport Programme 2012–15 (the Programme) to deliver the Roads of National Significance programme in line with expectations set out in the Government Policy Statement on Land Transport Funding 2012/13–2021/22 (GPS 2012). The package includes:

    - Increases in petrol excise duty and road user charges in 2013/14 above the 2 cents per litre noted when Cabinet approved this year's increase, and further increases in outyears

    - An additional short-term borrowing facility of $100 million for the NZ Transport Agency

    - The annual contribution from the National Land Transport Fund (the Fund) to the Christchurch roading recovery being set at $50 million per annum, and agreeing the Crown bear the risk of costs above this level from outside the Fund.

Executive summary

2. This paper seeks Cabinet agreement to a package of proposals to allow the NZ Transport Agency to finalise and adopt the Programme by 1 September 2012. This is the latest date by which the Programme must be adopted as I have already authorised the maximum allowable delay under section 19A of the Land Transport Management Act 2003.

3. The NZ Transport Agency and Ministry of Transport advise that there were lower than expected revenues 2011/12, and decreases to forecast revenues for 2012–15 and into outyears. The Christchurch earthquakes have also created a large unanticipated demand for transport funding.

4. This has created a risk of demand on the National Land Transport Fund exceeding the current buffer level (provided by the existing short term borrowing facility for cash flow management) unless work anticipated in the GPS 2012 is deferred. To progress the Programme, the NZ Transport Agency advises that it requires greater certainty about the revenues it can expect relative to the expenditure expectations being placed upon it.

5. Increasing petrol excise duties and road user charges cannot be done in time to deliver the immediate funding security needed to deliver the expectations in the GPS 2012. Therefore, the risk needs to be addressed by one of two options:

- Deferring Roads of National Significance projects (see Appendix 1); or
- Maintaining GPS 2012 expectations and adopting a package of proposals, including:
    - a large increase in petrol excise duty and road user charges in 2013/14, with further increases in outyears
    - an additional short-term borrowing facility
    - a $50 million limit on the NZ Transport Agency's contribution to Christchurch roading recovery works.

6. The proposed short-term borrowing facility would be for $100 million available in 2012/13, to be repaid within the period of the Programme, and not able to be redrawn.

7. With regard to how Christchurch roading recovery works will be made, the NZ Transport Agency's preference is to develop a long-term borrowing arrangement to spread the Christchurch roading costs to the Fund over a number of years. It considers could be done without affecting the pace of either the Programme or Christchurch roading recovery work.

8. I recommend that this option should be developed for consideration. I will also bring back other options for consideration alongside this to ensure that the final funding mechanism is the best alternative from a whole of Government perspective and takes into account the overall impact on the Crown's balance sheet.

9. The short-term borrowing facility and the approach to the residual Christchurch transport costs would serve to spread and limit cost pressures. Petrol excise duty and road user charges increases are also required in 2013/14 and subsequent years to lift revenue to match the demands of our objectives for the Roads of National Significance programme over the ten years of the GPS 2012.

10. To support future decisions on both expenditure priorities and revenue requirements further work is currently underway investigating:

    10.1. The value for money and desirable level of transport investment and what this might mean for how this investment is best funded

    10.2. Long-term borrowing, including the potential for Public Private Partnerships on one or more transport projects, as a supplement or alternative to increasing transport taxes

    10.3. The increases in petrol excise duty and road user charges needed to support the Programme and the expenditure profile we signalled in the GPS 2012.

Background

11. The Fund receives its revenue primarily from fuel (predominantly petrol) excise duty, road user charges, and motor vehicle registrations. This revenue has been hypothecated/dedicated to the Fund since 1 July 2008. This Permanent Legislative Authority gives some certainty to the amount of funding available each year, and caps the amount of expenditure that can be incurred.

12. Should the NZ Transport Agency wish to spend more than the current year's revenue, it must either rely on a grant from the Crown or borrow. Since 2010, the NZ Transport Agency has had access to a short-term cash flow management loan facility of up to $250 million to manage regular seasonal cash flow cycles and unexpected and unavoidable cash flow variation [EGI (10) 27/2 refers].[1]

13. The GPS 2012 sets expenditure ranges within which the NZ Transport Agency must deliver the Programme, and it drives decisions on how expenditure will be invested in particular areas (activity classes), such as State Highways, road policing, maintenance, and public transport.

14. The GPS 2012 has restricted the funding ranges for a number of activity classes, and local roads and public transport are co-funded with local government, leaving the NZ Transport Agency with little discretion on expenditure levels.

15. Under section 19A of the Land Transport Management Act 2003, every three financial years, the NZ Transport Agency is required to prepare and adopt a National Land Transport Programme for the following three financial years. I have approved the extension of the deadline for approving the new Programme until 1 September 2012, the maximum time allowed by the Act.

16. Expenditure is programmed up to three years ahead of being incurred. The NZ Transport Agency Board is charged with ensuring that the Programme is delivered within the revenue available to the Fund. This makes revenue forecasting pivotal in determining how much expenditure can be programmed.

17. Rigorous independent testing of the revenue forecasting model has been undertaken over the past few years to ensure it is as accurate as possible. Following the March Baseline Update 2012, changes were made to improve the model's accuracy to address lower than expected demand for fuel and concerns that the model was overestimating its revenue forecasts. Previously, the model was overestimating revenue due to overstated historical petrol excise duty being input into the model.

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[1] Cabinet noted that the Minister of Finance and the Minister of Transport support borrowing: (5.1) of up to $150 million, for the purpose of managing regular seasonal cash flow cycles; (5.2) of up to $100 million, for the purpose of managing unexpected and unavoidable cash flow variation; (5.3) where, before borrowing that will result in total borrowing under this facility exceeding $150 million at any one point in time, the NZ Transport Agency will notify the Ministry of Transport and the Treasury as to how it will manage the timely repayment of the borrowing. [EGI Min (10) 29/18 refers].

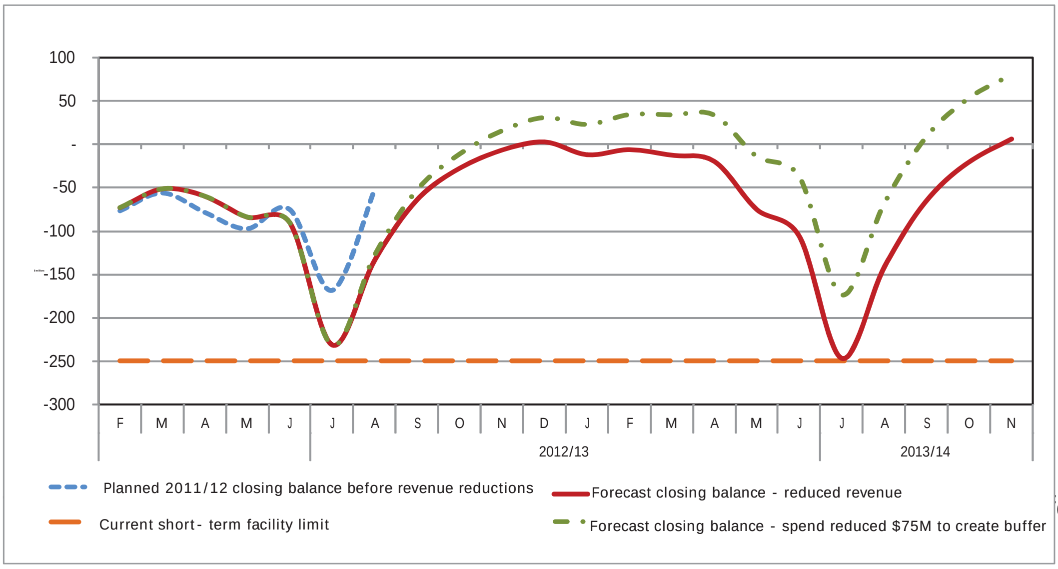
18. The model now more accurately reflects observed trends, prices and demand for fuel. However, revenue forecasts are prone to fluctuation in line with major economic assumptions, especially inflation and GDP growth.

Problem Definition

19. The last two years have included two significant shocks, the Canterbury earthquakes and reduced economic and revenue growth forecasts. This even tighter fiscal environment is putting pressure on the Fund at a time when it is also managing an ambitious roading programme.

20. The reduction in revenue growth in the latter part of 2011/12 has resulted in a worse than expected 2011/12 closing position, that is at the $250 million limit of the short–term borrowing facility (Figure 1 refers). In addition, despite the latest increases in petrol excise duty and road user charges agreed by Cabinet, revenues in 2012/13 and outyears are also expected to be lower than originally forecast.[2]

Figure 1: NLTP Closing Balance



21. or To manage its cash flows effectively, the NZ Transport Agency is requesting a buffer of around $75 million at the lowest point of the annual cash flow cycle, and indicates that it is now faced with a need to reduce expenditure by a like amount throughout 2012/13 to create this buffer (green line).

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[2] Cabinet agreed in April 2012 to increases of 2 cents per litre in petrol excise duty and an equivalent increase in road user charges from 1 August 2012, and noted my intention to seek at least a further 2 cents per litre in 2013. The increase on 1 August 2012 is still expected to increase revenue by approximately $90 million in 2012/13 and $100 million each year thereafter. However, lower than expected demand and improved forecasting resulted in a decrease in total forecast revenue for the National Land Transport Fund of approximately $100 million, effectively cancelling out the revenue generated by the increases to petrol excise duty and road user charges.

22. The combined impact of reduced revenue ($220 million) and having to reduce expenditure to create a cash flow buffer ($75 million) means that the estimated difference between forecast revenues and the expenditure target in the GPS 2012 is close to $300 million for 2012–2015.

23. The NZ Transport Agency has advised that, on these projections, its ability to commence major State Highway projects, including the Roads of National Significance, within the timeframes indicated in the GPS 2012, would be adversely affected. The table in Appendix 1 shows the delays that would be required to the Roads of National Significance to manage the impact of the expected shortfall in funding. The situation may also result in delays to other smaller (regional and safety) projects.

Proposal

24. I propose that the current expenditure path expectations of the GPS 2012 should prevail, as the Government has repeatedly stated that the State Highway initiatives are an important part of enabling New Zealand's economic future. For this to occur, I propose a package of initiatives to:

    24.1. Determine the petrol excise duty and road user charges increases necessary to support the Programme and the expenditure profile we signalled in the GPS 2012

    24.2. Manage the immediate pressure on the National Land Transport Fund from the lower than forecast 2011/12 closing position

    24.3. Provide certainty to the NZ Transport Agency around managing the impact of Christchurch roading recovery costs by recognising an annual $50 million limit on the contribution from the Fund towards Christchurch roading recovery work costs and identifying an alternative approach to meeting costs above this level.

25. The Ministry of Transport and the NZ Transport Agency currently provide commentary and advice on how revenue is tracking at each reforecast point in the year, coinciding with the March Baseline Update and the October Baseline Update. The Minister of Finance and I have agreed that this will be supplemented with similar reporting on how expenditure is tracking.

26. Borrowing will not always be the most appropriate response where revenue falls short of intended expenditure. To ensure we are well placed to judge the suitability of using borrowing to respond to any future occurrence of this issue, the Minister of Finance and I have directed officials from the Ministry of Transport, NZ Transport Agency and Treasury to report back to us on 1 November 2012 on potential long-term options for transport investment, within the "Pay Go" system, that support transport's contribution to economic growth, covering:

    26.1. The value for money and desirable level of transport investment and what this might mean for how this investment is best funded

26.2. Long-term borrowing, including the potential for Public Private Partnerships on one or more transport projects, as a supplement or alternative to increasing transport taxes.

Petrol excise duty and road user charge increases

27. The short-term borrowing facility proposed helps alleviate immediate pressures on the Programme. However, based on current forecasts, petrol excise duty and road user charges will need to rise by more than the Consumer Price Index (CPI) over ten years to ensure a sufficient level of revenue for the Fund to meet GPS 2012 expenditure targets. The increases would support the Programme by allowing current planned expenditure to continue while also meeting the debt obligations arising from proposals in this paper.

28. My officials have been working on a schedule of petrol excise duty and road user charges increases to enable GPS 2012 expenditure targets to be met in the longer-term. A large increase, of up to 6 cents per litre, is required in 2013/14 to restore the ability of the Fund to meet GPS 2012 expectations. Further increases will also be required in outyears to support future National Land Transport Programmes.

29. One option is to increase petrol excise duty and road user charges by 6 cents per litre in 2013, 4 cents per litre in 2015, and 1 cent per litre is 2018 (blue line in Figure 2 below). This amounts to 11 cents per litre in total, excluding the 2 cent per litre increase in 2012/13. A 1 cent per litre increase in petrol excise duty and equivalent increase in road user charges generates an additional $50 million per year.

Figure 2: Revenues under different increases

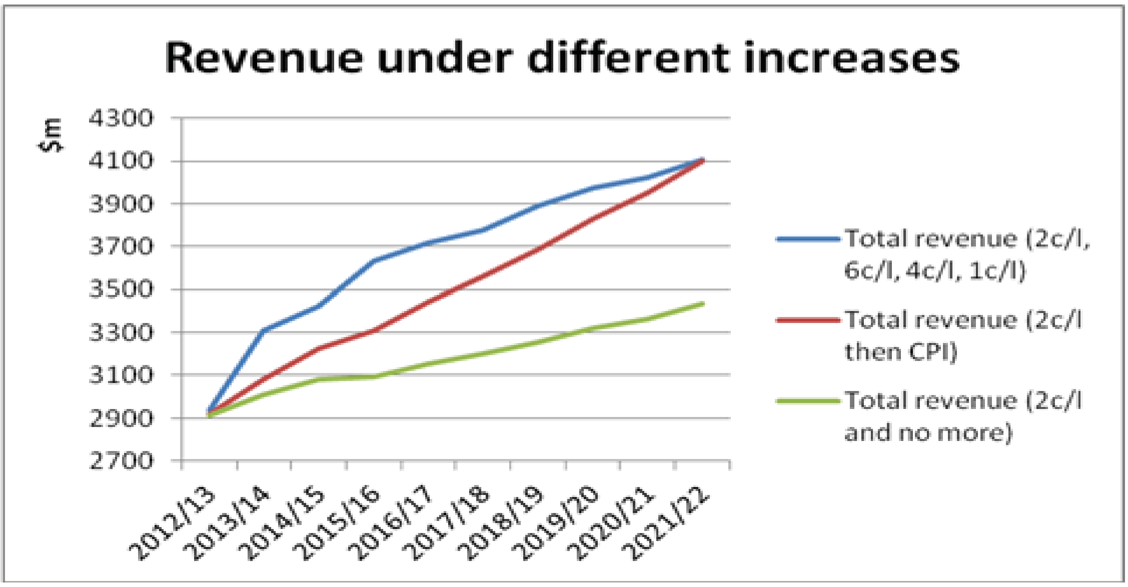
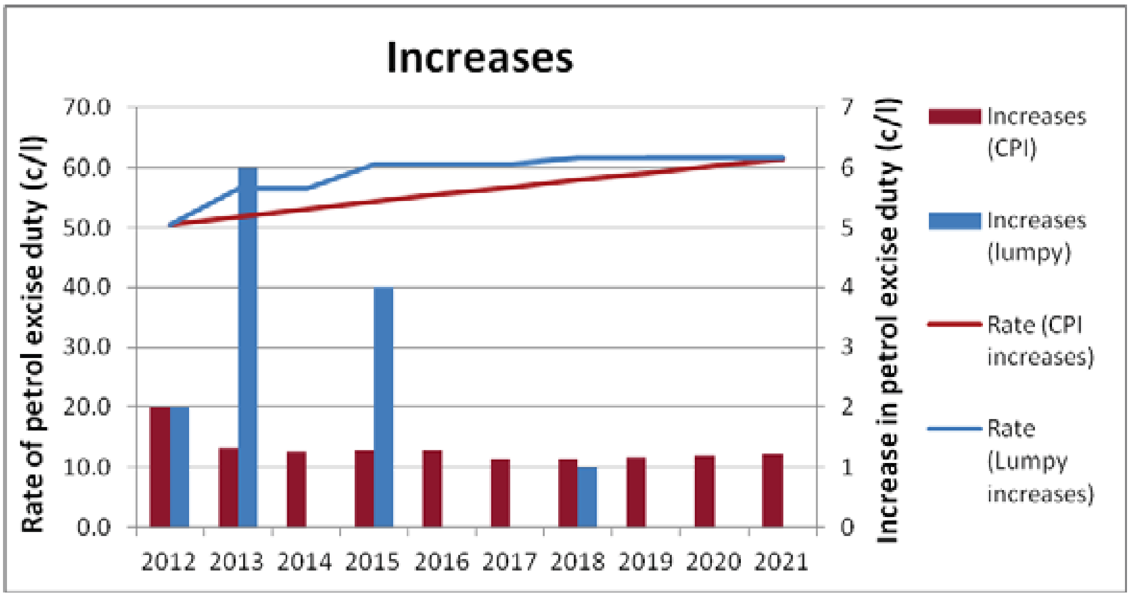


Figure 3: Rates under different increases



30. The blue line in Figure 3 shows the total revenue forecasted under the rate increases shown by the blue line in Figure 2.

31. As Figure 3 shows, at the end of ten years, petrol excise duty and road user charges are expected to be at the same level as under the current GPS 2012 assumption of a 2 cent per litre increase in 2012, and annual CPI adjustments thereafter (red line). However, the new schedule generates revenue earlier (as shown in Figure 2) to support improved project delivery.

32. For owners of light petrol and diesel vehicles, an increase of 6 cents per litre in petrol excise duty and equivalent in road user charges would be expected to add around $90 per year to annual vehicle operating costs. For heavy vehicles, the cost of road user charges represents about a tenth of the costs of road freight operators (including wages, insurance, and depreciation). An increase in road user charges of 12 percent (equivalent to a 6 cents per litre increase in petrol excise duty) would be estimated to raise the total cost of truck operation by around 1.2 percent.

33. The potential combined impact of the recommended additional short-term borrowing facility and the possible increases in petrol excise duty and road user charges can be seen in Figures 4 and 5, which show expected Programme expenditure during 2012–15. The main impact is the increases in funding available for new State Highway, local roads and public transport infrastructure over the three year period (refer to the top two bars of the graphs below).[3]

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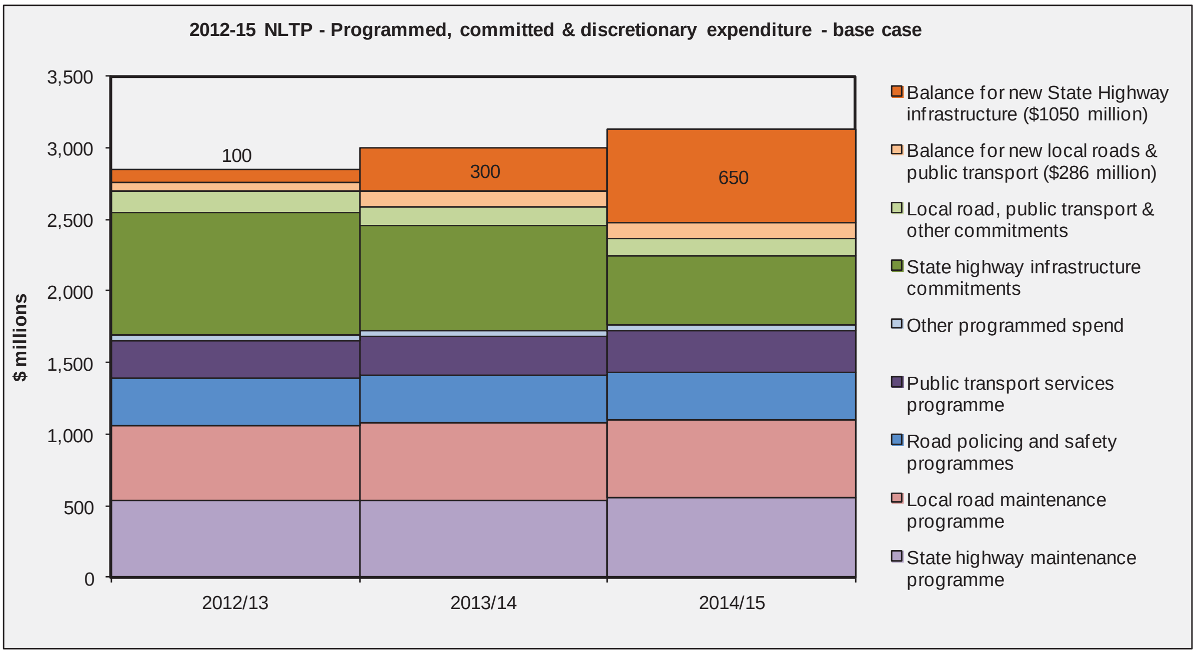
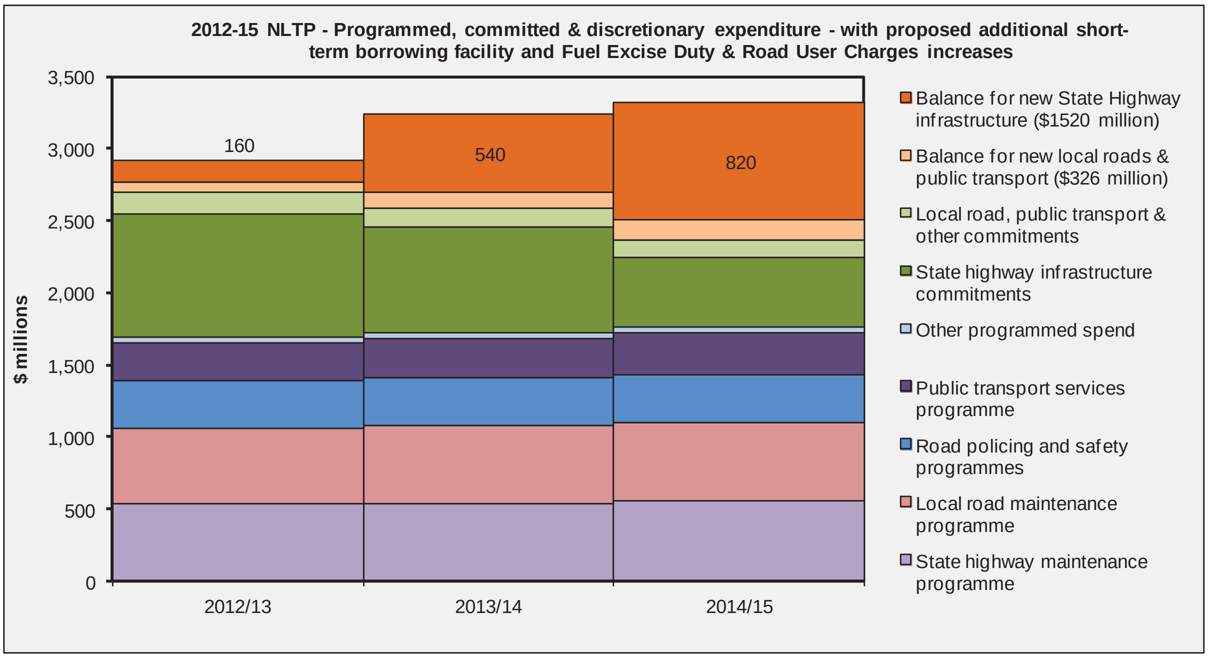
[3] Commitments for local roads, public transport, State Highways and other funding approved projects are subject to cost and scope risk. If adverse risk is realised then some of the balances in the graphs will be consumed through the funding of cost or scope adjustments. The balance of available funding for State Highways shown in figures 4 and 5 would readily be consumed through the delivery of Roads of National Significance projects and other high priority activities. The NZ Transport Agency has continued to progress most of the Roads of National Significance identified in the GPS 2012 to a

Figures 4: NLTP expenditure 2012–15 – Base Case



Figures 5: NLTP expenditure 2012–15 – With package



34. As already noted, I will come back to Cabinet by 1 November 2012 with recommendations for the petrol excise duty and road user charges increases necessary to support the Programme and the GPS 2012.

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construction ready state. Subject to available funding over the next 24 months, a number of projects will be ready for construction starts.

Additional short-term borrowing facility

35. Section 65L of the Public Finance Act 1989 provides that the Minister of Finance may lend money on behalf of the Crown if he is satisfied that it is expedient in the public interest to do so and on terms and conditions that he thinks fit.

36. The $100 million loan being considered here is a one-off means for addressing an immediate and short-term funding issue relating to the delivery of a major programme within our economic growth agenda. Sustaining the level of expenditure we have committed to through the GPS 2012 exposes the Crown balance sheet; however, I propose that, noting the conditions and constraints set out below, this loan is an appropriate solution to the problem being faced at this time.

37. Subject to Cabinet's agreement, the Minister of Finance and I have jointly agreed (under sections 160(1)(b) and 162 of the Crown Entities Act 2004) that the NZ Transport Agency may borrow under a new short term facility, up to a maximum of $100 million, to be drawn down and repaid in the period 2012/13 to 2014/15 for the purposes of managing cash flow over that period.

38. If Cabinet approves the loan appropriation, the Minister of Finance will, after consideration of the terms and conditions recommended by the New Zealand Debt Management Office, set the terms and conditions of the loan thereafter, consistent with the purpose of the facility outlined in this paper.

39. Funds repaid to the Crown would not be available for redrawing. Any balance not drawn down in 2012/13 would be carried forward and available for draw down in 2013/14. The NZ Transport Agency will repay the loan in 2015 and pay interest charges from the Fund.

40. There would be no increase in budgeted expenses, and expenditure would remain within the GPS 2012 ranges.

41. The Minister of Finance proposed that the New Zealand Debt Management Office will administer the loan on behalf of the Crown.

Christchurch costs

42. As reported to Cabinet in February 2012 [CER Min (12) 1/2 refers], the estimated cost of roading recovery works in Christchurch has increased to between $0.87 billion and $1.1 billion. The reinstatement of Christchurch roads is a priority for Canterbury's economic and social recovery, and the Crown's share of these costs (83 percent) is a legitimate charge against the National Land Transport Programme. To date, the NZ Transport Agency has funded $116 million, and CERF has committed $190 million.

43. The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) is an alliance structure established to align the public and private sector contributions to rebuilding Christchurch, drive innovation and value for money, and manage costs in a professional manner. It is undertaking an evaluation of the state of horizontal infrastructure assets, including roads, in Christchurch. SCIRT expects to be able to report on the estimated costs of recovery in mid-November 2012.

44. The NZ Transport Agency Board has identified the uncertainty over the total cost of Christchurch roading reinstatement and how these costs will be met as a financial risk for the Fund, and is seeking certainty on how costs will be met before it can sign off on the Programme.

45. I understand that the NZ Transport Agency Board has resolved that, to enable the Programme to give effect to the GPS 2012, the Fund's contribution to Christchurch roading recovery needs to be limited to $50 million per annum. This means that the Crown will bear the risk of costs above the $50 million committed by the NZ Transport Agency. Officials are currently working on options to manage this risk, including potential for a long-term loan facility.

46. The NZ Transport Agency favours a long-term loan and considers that, based on current expected expenditure and annual payments of $50 million from the National Land Transport Fund, a loan facility would result in a maximum debt on the Crown's balance sheet of $400 million, if paid off over a 12 year period.

47. An assessment of whether there is an alternative which better manages the fiscal impact on the Crown has not been possible in the timeframe for this paper, given the 1 September constraint on adopting the 2012–15 Programme. I intend to report back to Cabinet on the options for future transport funding of Christchurch's roading emergency works in November 2012.

Consultation

48. The Treasury and the NZ Transport Agency have been consulted. The Department of the Prime Minister and Cabinet and Christchurch Earthquake Recovery Authority have been informed.

Financial implications

Short-term loan facility

49. To action this proposal, I propose that a new appropriation be established within Vote Transport. It will be a Non-departmental Capital appropriation with the title "NTLF Borrowing Facility for a Short-Term Advance in 2012/13".

50. The scope of the appropriation is to be:

This appropriation is limited to a short-term advance to the New Zealand Transport Agency to manage variations between cash outlays from and flows of hypothecated revenue into the National Land Transport Fund.

51. Under the proposed terms and conditions governing the operation of the facility, there will be no anticipated increase in expenses over the budget forecast term. Unlike the existing short-term facility to the NZ Transport Agency, the redrawing of any funds repaid to the Crown would not be permitted.

	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Non-departmental Capital Expenditure: NLTF Borrowing Facility for a Short-Term Advance in 2012/13.	100	0	0	0	0

Christchurch costs

52. The Canterbury Earthquake Recovery Fund (CERF) currently contains an estimate to allow for roading costs in Christchurch. Where funding for Christchurch's roads comes from the Fund, the CERF identifies the cost as being "absorbed". Crown funding contributed outside the Fund is identified as new funding. As a result of this paper, the CERF will reduce the amount of funding expected to be absorbed by the Fund and increase the amount expected to come from new funding.

Human rights, legislative, gender and disability implications

53. Nil.

Regulatory Impact Analysis

54. A Regulatory Impact Statement is not required for the proposal contained in this paper as the borrowing proposals have no regulatory impact.

Publicity

55. The decisions taken on the basis of this paper will inform the final development of the Programme, which will be adopted by 1 September 2012. I will announce decisions made on the basis of this paper at the time the Programme is made public. This will ensure there is greater context for the need to allow for borrowing arrangements.

56. If timing permits, I may announce the package outlined in this paper at the New Zealand Council for Infrastructure Development Conference on 21-22 August 2012.

Recommendations

57. The Minister of Transport recommends that the Committee:

    1. **note** that the Land Transport Management Act 2003 requires a 3 year National Land Transport Programme to be adopted before the beginning of the period it is intended to cover or, with the permission of the Minister of Transport, before 1 September of the first year of the period it covers

    2. **note** that the NZ Transport Agency is working to finalise the National Land Transport Programme 2012–15, which must give effect to the direction set out in the Government Policy Statement (GPS) 2012 which includes the Roads of National Significance programme of investment in State Highways

3. **note** that NZ Transport Agency advise that finalisation of the National Land Transport Programme 2012–15 is being delayed because the Board requires greater certainty on how the following pressures will be addressed:

    a. A worse than expected 2011/12 outturn, that has created an immediate funding shortfall of approximately $100 million for the National Land Transport Programme in 2012/13

    b. The scale of the costs of the reinstatement of Christchurch roads

    c. Target expenditure in the GPS 2012 exceeding forecast revenue by approximately $220 million over 2012–15

4. **note** that officials have considered three options to respond to these pressures:

    a. Deferring elements of the State Highway construction programme

    b. Further raising petrol excise duty and road user charges above currently planned increases in 2013 and outyears

    c. Looking at alternatives, including short-term borrowing to address current pressures, long-term borrowing, and Public Private Partnerships, to spread costs over the life of the assets

Confirmation of importance of the Roads of National Significance

5. **note** that the Government has repeatedly stated that the State Highway initiatives including the Roads of National Significance, are an important part of enabling New Zealand's economic future

6. **note** that, if the State Highway initiatives are to proceed as anticipated in the GPS 2012, then:

    a. Petrol excise duty and road user charges increases of approximately 11 cents per litre, previously sought over a ten year period through adjustments linked to changes in the Consumer Price Index, will be required over the next six years (2013 to 2018, inclusive)

    b. An additional short-term borrowing facility is required to manage immediate funding pressures

    c. Certainty is required around the annual scale of Christchurch roading reinstatements costs to be met through the National Land Transport Fund

7. **agree** that the State Highway infrastructure improvements programme proceed as anticipated in the GPS 2012

8. **invite** the Minister of Transport to report back to the Cabinet Economic Growth and Infrastructure Committee by 1 November 2012 with the details of a potential package to deliver the State Highway infrastructure plan in a timely and value for money manner, that includes petrol excise duty and road user

charges increases, options for Programme borrowing, and an evaluation of Public Private Partnerships as an alternative delivery model.

Managing revenue and expenditure risks long-term

9. **note** that responsible fiscal management is a key Government priority and the Minister of Finance is concerned that the Crown balance sheet is exposed to shocks due to borrowing undertaken to meet expenditure targets

10. **agree** that, to improve Ministerial oversight, officials from the Ministry of Transport and NZ Transport Agency are directed, alongside existing revenue reporting, to provide advice to the Minister of Finance and the Minister of Transport at each reforecast point in the year (coinciding with the March Baseline Update and the October Baseline Update) on how expenditure is tracking within each GPS cycle and including potential risk management responses

11. **note** that future loan proposals will need to be informed by robust analysis that sets out an appropriate long term expenditure path for transport (i.e. beyond the GPS period up to 20-30 years) and include options to manage this in the event of future revenue shortfalls

12. **note** that to ensure 11 above occurs, the Minister of Finance and I have directed officials from the Ministry of Transport, NZ Transport Agency and the Treasury to report back to us on 1 November 2012 on potential long-term solutions for transport investment, within the "Pay Go" system, that support transport's contribution to economic growth

13. **agree** that the November report back in 12 above will include analyses of:

    a. The value for money and desirable level of transport investment and what this might mean for how this investment is best funded

    b. Long-term borrowing, including the potential for Public Private Partnerships on one or more transport projects, as a supplement or alternative to increasing transport taxes.

Additional short-term borrowing facility

14. **note** that the Minister of Finance and I have jointly agreed (under sections 160(1)(b) and 162 of the Crown Entities Act 2004) that the NZ Transport Agency may borrow an additional amount of up to $100 million

15. **note** that section 65L of the Public Finance Act 1989 provides that the Minister of Finance, on behalf of the Crown, may lend money to a person or organisation if it appears to be necessary or expedient in the public interest to do so, on terms and conditions that the Minister thinks fit

16. **note** that the Minister of Finance has emphasised that the $100 million loan considered here is to address immediate and short term funding issues and

does not imply that further Crown borrowing will be the appropriate means of addressing National Land Transport Fund funding issues in the future

17. **note** that the NZ Transport Agency indicates the additional facility is required with some urgency given its stated cash flow risks at the start of 2012/13 as a result of reduced revenue in 2011/12

18. **note** that, if approved, the NZ Transport Agency will undertake that the proposed short-term facility will be repaid within the course of the National Land Transport Programme 2012–15 and will have no impact on the funding ranges set out in the GPS 2012

19. **agree** to an additional short-term borrowing facility of $100 million

20. **agree** that the NZ Debt Management Office, on behalf of the Crown, will make available to the NZ Transport Agency an additional short-term borrowing facility of $100 million, the terms of which will be recommended by the NZ Debt Management Office and set by the Minister of Finance

21. **agree** to establish a new Non-departmental Capital Expenditure appropriation "NLTF Borrowing Facility for a Short-Term Advance in 2012/13" in Vote Transport

22. **agree** that the scope of this appropriation be "This appropriation is limited to a short-term advance to the New Zealand Transport Agency to manage variations between cash outlays from, and flows of hypothecated revenue into, the National Land Transport Fund"

23. **agree** to the following changes to appropriations:

	Increase / (Decrease) $m				
Vote Transport **Minister of Transport**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 & Outyears**
Non-departmental Capital Expenditure: NLTF Borrowing Facility for a Short-Term Advance in 2012/13.	100.000	-	-	-	-

24. **agree** that the proposed changes to appropriations be included in the 2012/13 Supplementary Estimates, and that in the interim the increase be met from Imprest Supply

25. **agree** that any portion of the above facility not drawn down by the NZ Transport Agency in 2012/13 can be transferred to 2013/14 in a capital transfer to be approved by the Minister of Finance and the Minister of Transport

26. **agree** that the NZ Transport Agency will meet interest costs for the loan from the National Land Transport Fund

Funding for the reinstatement of Christchurch roads

27. **note** I understand that the NZ Transport Agency Board has resolved that, to enable other aspects of the National Land Transport Programme to give effect to the GPS 2012, National Land Transport Fund funding for Christchurch roading recovery needs to be set at $50 million per annum

28. **agree** that the Crown will meet the cost for Christchurch roading recovery over $50 million in any one year

29. **agree** that, in any one year the cost in excess of $50 million will be covered from outside of the National Land Transport Fund

30. **note** that NZ Transport Agency has suggested that one option to maintain the pace of the Christchurch road recovery would to spread the total costs across a longer time period via a long-term loan facility, where:

    a. The indicative value of the loan would be no more than $400 million based on current cost estimates

    b. The cost of this facility, including holding and interest charges be fully funded from the National Land Transport Fund from the $50 million per annum allocated by NZ Transport Agency Board for Christchurch roading recovery

    c. The indicative time period for this repayment is estimated to be 12 years

31. **invite** the Minister of Transport in consultation with the Minister of Finance to evaluate NZ Transport Agency's proposed loan facility against other funding options and to report to the Cabinet Economic Growth and Infrastructure Committee no later than 1 November 2012.

Hon Gerry Brownlee
Minister of Transport

Dated: ______________________________

Appendix 1

Required changes to the Roads of National Significance Programme & other projects

Both forecasts assume a 2c FED/RUC increase 1 August 2012 and annual CPI thereafter	**Project Start Dates and Planned expenditure within GPS 2012 ten-year period (including escalation)**			
	GPS 2012 prevails		**Funding shortfall prevails (Lower revenue and Christchurch rebuild)**	
Roads of National Significance				
Puhoi to Warkworth	2017/18	$790m	2019/20	$341m
Mackays to Peka Peka	2013/14	$527m	2016/17	$625m
Peka Peka to Otaki	2016/17	$290m	2017/18	$297m
Basin Reserve	2013/14	$150m	2014/15	$150m
Airport to Mt Victoria	2018/19	$487m	2020/21	$188m
Transmission Gully	2015/16	$941m	2020/21	$183m
Southern Motorway (Stage 2)	2015/16	$182m	2016/17	$193m
Christchurch Western Corridor (incl. Western Belfast Bypass)	2013/14	$226m	2014/15*	$293m
Hamilton Section	2015/16	$538m	2018/19	$563m
Cambridge Section	2013/14	$175m	2016/17	$232m
Rangiriri Section	2013/14	$82m	2016/17	$92m
Huntly Section	2015/16	$535m	2016/17	$540m
Other Projects				
Waitaki Bridges	2013/14	$17m	2014/15	$22m
Waiwhakaiho Bridge	2013/14	$8m	2015/16	$9m
Safe system demonstration	2013/14	$40m	2015/16	$45m
Total forecast State Highway improvement expenditure	**$15.3b - $15.7b**		**$13.8b**	

* One section only