

10 June 2020

Hon Phil Twyford
Minister of Transport
Parliament Buildings
Wellington

Dear Minister

Waka Kotahi NZ Transport Agency Quarter Three 2019/20 Performance Report

I am pleased to update you on Waka Kotahi's progress in Quarter Three (1 January – 31 March 2020) to deliver against our commitments. Given the recent impact of COVID-19 and the need to prioritise our resources, I am providing you with a summarised Quarter Three performance report. Waka Kotahi's key risks and issues, including our COVID-19 response, and our notable achievements in Quarter Three are outlined below. We have also attached the quarterly financial reports.

Responding to COVID-19

Waka Kotahi and the land transport system have a critical role to play in New Zealand's social and economic recovery from the COVID-19 pandemic. An underlying principle of our response is that it is aligned with the Government's direction on COVID-19. Our external response is keeping the land transport system moving at different Alert Levels. Internally, we have prioritised the wellbeing of Waka Kotahi people to support them as they adapt to these challenging times and stay focused on their work.

A sub-group of the Executive Leadership Team has oversight of all of Waka Kotahi's response work and the Board receives regular updates.

COVID-19 will significantly impact the revenue streams for the National Land Transport Fund (NLTF) and our regulatory activities. Waka Kotahi has developed a number of scenario-based forecasts and worked closely with Ministry of Transport officials on requests for short-term financial support to manage risks to 30 June 2020. Further work will be undertaken in Quarter Four to develop options for managing the financial impacts in the longer-term.

Responding internally

In March 2020, Waka Kotahi activated a National Incident Management Team with the primary purpose of looking after the health, wellbeing and technological needs of our people. Our internal response has included providing additional special leave to those unable to work due to COVID-19, communicating clearly, regularly and consistently with our people to keep them up to date and connected during different Alert Levels, and providing technology support to enable the vast majority of our people to successfully work from home. We have dispatched over 600 technology packs to our people and upgraded our Virtual Private Network to improve connectivity and efficiency.

Responding externally

Waka Kotahi's National Emergency Response Team was also activated in March 2020 to work through scenarios for impacts on the land transport system and ensure the safety and wellbeing of affected people. This team works closely with the Ministry of Transport and other external agencies. We are proactively communicating with our partners and stakeholders throughout the COVID-19 response and have received favourable comments from industry for our sector leadership work on matters such as the advance payments to contractors during lockdown.

At Alert Level 4, work on capital projects was suspended while essential maintenance and operations continued on the network under new health and safety rules. At Alert Level 3, work on capital projects recommenced under strict health and safety controls.

Waka Kotahi approved additional funding to ensure that New Zealanders were able to access fare-free public transport during Alert Level 3 and 4 restrictions. This enabled essential workers to continue to access their workplaces and those reliant on public transport to access essential services in a contact-less manner. Waka Kotahi is continuing to work with the Ministry of Transport, and other central and local government agencies, on our response under Alert Level 2.

Our Procurement team has developed a Preparation and Response Plan to consider the impacts of working with our external contractors.

COVID-19 has also impacted our licensing and registration activities. We anticipate around 600,000 Warrants of Fitness (WoFs) and Certificates of Fitness (CoFs), 800,000 vehicle licences, 40,000 driver licences and 12,500 endorsements will expire between March and May 2020. New legislation came into effect in April 2020 to provide a temporary extension to the following expired documents:

- WoFs, CoFs, driver licences and vehicle certifications issued under the Vehicle Standards Compliance Rule that expired on or after 1 January 2020
- Endorsements (including drivers of passenger services and dangerous good endorsements held by some truck drivers) that expired on or after 1 March 2020

These changes also temporarily suspend the requirement to have a current valid registration sticker if the vehicle licence expired on or after 1 January 2020.

Waka Kotahi's achievements during Quarter Three

Despite the impact of COVID-19, Waka Kotahi built on our success in previous quarters and continued to deliver for New Zealanders over Quarter Three.

New Zealand Upgrade Programme

In January 2020, the Government announced details of the NZ Upgrade Programme (NZUP). NZUP will invest \$6.8 billion across road, rail, public transport, and walking and cycling infrastructure to get our cities moving, save lives and boost productivity.

The transport investments funded under NZUP will be delivered over the next decade. The first five of Waka Kotahi's major projects – totalling \$1.731 billion of capital works – are expected to begin construction procurement in 2020. The remainder of the programme is expected to be under construction by 2025.

Waka Kotahi delivered its Establishment Report in March 2020. The report identifies programme monitoring and reporting processes to provide the Governance Group, the Board and Ministers with oversight and confidence in the delivery of this programme.

A nationwide recruitment campaign for NZUP also launched in Quarter Three.

Supporting Regions Programme

Waka Kotahi also continues to focus on regional investment through the Supporting Regions Programme - its previous Provincial Growth Fund programme with the addition of the NZUP regional package of 13 state highway projects, as announced by the Government in late February 2020.

Our network

In February 2020, serious storm events in the South Island resulted in flooding, slips and road closures – including the closure of SH94 Milford Road. Waka Kotahi led the significant effort to restore access, including convoys of buses to allow access for visitors and essential service vehicle to, and from, Milford Sound Piopiotahi.

The opening of the new SH1 Whirokino Trestle and Manawatū River Bridge between Levin and Foxton opened to traffic in February 2020, creating a stronger and safer route.

During the quarter, work also commenced on the SH20B Early Improvements project that will provide additional priority lanes for new bus services between Auckland Airport, Puhinui and Manukau.

Work on the much-anticipated Northern Pathway walking and cycling connection between Auckland's Westhaven and the North Shore progressed well during the quarter, with two teams shortlisted for the detailed design and construction of the cross-harbour section. Public engagement on plans for the Northern Pathway was carried out in March and extended in to April 2020, to give people opportunity to have their say online in the COVID-19 environment. Despite the absence of public meetings, Waka Kotahi received a large and mainly favourable response to the online consultation process.

Our partners

Waka Kotahi's regional stakeholder tour got underway in Quarter Three. This tour is a critical part of our dialogue with our local government partners and regional stakeholders. Seven events across the country were held between 3 and 12 March 2020. The remaining seven events had to be postponed due to the COVID-19 situation. Waka Kotahi will reschedule the remaining events as soon as it is appropriate to do so. We are committed to our partners and regional stakeholders and are engaging with them in new virtual ways in the COVID-19 environment.

Regulatory function

Waka Kotahi completed significant work over the quarter on the 2020-25 regulatory strategy *Tū ake, Tū māia: Stand up, stand firm*. The Board formally approved *Tū ake, Tū māia* in late April 2020 and it provides Waka Kotahi with greater clarity and purpose for our regulatory work.

The Regulatory Fees and Funding review, which is critical to ensuring we have a sustainable funding model to support the delivery of our strategy, hit a major milestone with the completion of the forecasting, pricing and other models. These are now being reviewed in light of COVID-19. The Waka Kotahi Board, Regulatory sub-committee, and the Risk Assurance sub-committee have been briefed on these decisions. We also continued to work with the Ministry of Transport on interim funding arrangements.

To continue strengthening our regulatory function, recruitment to address urgent capacity and capability deficits has been ongoing. We have now recruited a total of 56 new staff across our regulatory function. In March 2020, the Board's Regulatory sub-committee met for the first time to significantly strengthen governance of Waka Kotahi's regulatory function.

Prior to the Alert Level 4 lockdown period, Waka Kotahi established several industry engagement groups with regulated industry, stakeholders and partners. The focus groups have been meeting regularly, providing both industry and Waka Kotahi with forums to share concerns, ideas and find resolutions while operating during COVID-19. As signalled in *Tū ake, Tū māia*, increased engagement is central to our new way of working and our collaborative approach has been very well received by our industry partners.

Safety

As outlined in the *Government Policy Statement on land transport*, safety is our top priority. The Road to Zero strategy and action plan launched in December 2019 with a new vision for a New Zealand where no one is killed or seriously injured in road crashes. This means that death or serious injury (DSI) while travelling on our roads is unacceptable. Activities on a number of key Road to Zero actions are now underway, including infrastructure programme planning for the next National Land Transport Programme, the Tackling Unsafe Speeds package and the Vehicle Safety Promotion programme.

Waka Kotahi's Road Safety Partnership Programme with NZ Police was also reviewed against the Road to Zero Strategy, with no adjustments necessary.

Waka Kotahi is also continuing to focus on the health and safety of our contractors, trialling effective contractor monitoring tools to better understand the safety capability of the supply chain. This includes a road work health and safety improvement programme and developing stronger partnerships and procurement processes to improve relationships and systems.

Sustainability

Over Quarter Three, Waka Kotahi continued work on its Sustainability Action Plan, *Toitū te Taiao*, which has been well-received following its external launch in early May 2020. Other climate change policies and priorities continue to be developed. These include a review of electric vehicle public charging infrastructure with the EV Industry Leadership Group, draft proof of concept to understand and shape emission profiles of TAIP, RLTPs and NLTP, strategic direction to shape the NLTF prioritisation process, input into the NZUP, and the COVID-19 Economic Stimulus Package.

Scoping of the Waka Kotahi Environmental Land Transport Harm Model has also begun, along with work on Waka Kotahi's first Sustainability Monitoring Report, which is due in Quarter Four.

Our people

Quarter Three saw all positions on Waka Kotahi's Executive Leadership Team filled permanently, with Chief Executive Nicole Rosie starting in February 2020. Karen Jones, General Manager Engagement and Partnerships, and Matthew Walker, General Manager Corporate Support, also started in March and April 2020 respectively. I have full confidence in this strong, experienced leadership team and our people to continue delivering for New Zealand.

I look forward to discussing our performance with you in due course.

Yours sincerely



Sir Brian Roche

Chair

cc: Hon Shane Jones, Associate Minister of Transport
Hon Julie Anne Genter, Associate Minister of Transport
Peter Mersi, Chief Executive, Ministry of Transport

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE SUMMARY FOR THE NINE MONTHS ENDED 31 MARCH 2020

NATIONAL LAND TRANSPORT FUND REVENUE

\$72.0m
below budget

Revenue year to date is 2% below budget mainly due to lower revenue received from fuel excise duty and delays in property settlements.

Revenue is forecast to be \$361.2 million (9%) below budget by year-end based on the revenue forecast for the 2020 Budget Economic Fiscal Update (BEFU).

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN FUNDED EXPENDITURE

\$331.4m
above budget

Expenditure year to date is 11% above budget primarily due to higher than budgeted NLTF funded expenditure (\$365.7 million). Crown funded expenditure is \$34.4 million below budget.

Expenditure is forecast to be \$204.0 million (4%) above budget by year-end with NLTF expenditure \$125.9 million above, and Crown expenditure \$78.1 million below, budget.

WAKA KOTAHI OPERATIONAL EXPENDITURE

\$19.3m
below
forecast

Total operational expenditure is \$19.3 million below forecast. Personnel costs (\$10.2 million) and operating costs (\$7.9 million) are the main drivers.

Expenditure is expected to be slightly above budget by year-end but well under the forecast.

MEMORANDUM ACCOUNTS

\$3.9m
above budget

Memorandum account closing balances are \$3.9 million above budget, due to \$4.0 million lower fees and charges received and lower costs of \$7.9 million.

Closing balances are forecast to be \$31.5 million below budget by year-end due to the impact of lower regulatory revenue due to COVID-19. Crown financing (partly drawn down in April) is required to offset the deficit.

FUNDING AND LONG-TERM LIABILITIES

\$2,494.5m

The total long-term funding liability at 31 March is \$2,494.5 million. Waka Kotahi is compliant with all loan conditions.

NATIONAL LAND TRANSPORT FUND AND NATIONAL LAND TRANSPORT PROGRAMME

NATIONAL LAND TRANSPORT FUND REVENUE

National Land Transport Fund (NLTF) year to date revenue is \$72.0 million (2%) below budget.

- **Fuel excise duty (FED)** is \$24.2 million (2%) below budget as fuel consumption is down on budget by 3%. Due to FED being collected "at the refinery", COVID-19 impacts are not yet evident.
- **Road user charges (RUC)** are \$24.7 million (2%) below budget. Heavy vehicle RUC is \$30 million (5%) below budget offset by higher light vehicle RUC. The reduction is COVID-19 related.
- **Motor vehicle registration and licensing (MVR & Lic)** is \$0.9 million below budget.
- **Other revenue** is \$22.2 million (44%) below budget due to a delay in property settlements. Disposals of around \$30 million are being considered by MBIE and HUD' as potential KiwiBuild and social housing development. We expect disposals of those properties to take place in either 2019/20 or 2020/21.

SUMMARY

\$72.0m
below
budget

FED 2% below budget
RUC 2% below budget
MVR & Lic is close to budget

	MONTH				YEAR TO DATE				2019/20			
	Actual	Budget	Variance		Actual	Budget	Variance		Forecast [^]	Budget	Variance	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Fuel Excise Duty	202.1	180.7	21.4	12%	1,523.4	1,547.7	(24.2)	(2%)	1,894.8	2,063.3	(168.5)	(8%)
Road user charges	140.9	161.0	(20.1)	(12%)	1,327.4	1,352.2	(24.7)	(2%)	1,623.7	1,786.3	(162.6)	(9%)
MV registration & Lic.	15.3	17.4	(2.2)	(12%)	174.1	175.0	(0.9)	(0%)	227.1	228.3	(1.2)	(1%)
Other revenue	6.3	6.6	(0.3)	(4%)	28.4	50.6	(22.2)	(44%)	41.7	70.5	(28.8)	(41%)
Total NLTF revenue	364.5	365.7	(1.2)	(0%)	3,053.3	3,125.3	(72.0)	(2%)	3,787.3	4,148.5	(361.2)	(9%)

[^] The forecast is the Budget Economic Fiscal Update (BEFU) prepared by Ministry of Transport, with Waka Kotahi's input.

- The Ministry of Transport (MoT) has finalised the revenue forecast for the 2020 budget (known as Budget Economic Fiscal Update, BEFU), with Waka Kotahi's input. MoT's revenue forecast aligns with Treasury's assumptions about the outlook of COVID-19 Alert Levels and associated economic recovery.
- The BEFU forecast is probably at the "optimistic" (i.e. upper) end of the range of revenue forecasts.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED EXPENDITURE

National Land Transport Programme (NLTP) year to date expenditure is \$365.7 million (13%) above budget. It is expected that COVID-19 will have a material impact on future NLTP expenditure. Year-end and 2020/21 forecasts have been prepared on a four-week level 4 lockdown period in 2019/20, following by a gradual recovery in activity.

- **State highway improvements** are \$309.7 million (37%) above budget, due to the \$190.6 million conditional settlement of the Transmission Gully claim and a \$83 million provision for Puhoi to Warkworth claims. The forecast is at the top of the GPS range.
- **Public transport** is \$54.4 million (14%) above budget due to a strong delivery from local authority infrastructure projects. Programme cost increases from higher fuel prices (compounded by Auckland’s regional fuel tax) and higher labour costs have also contributed to the higher spend. Farebox revenue has declined through Alert Level 4, and Waka Kotahi has committed to cover this shortfall to 30 June 2020 through the NLTF. The increased costs are reflected in the latest forecast.
- **Walking and cycling** is \$16.0 million (27%) below budget due to delays in Auckland Transport projects, Wellington City Council’s Eastern Package and the Christchurch City Rapanui to Shag Rock project. Expenditure is forecast to be at the bottom of the GPS funding range for current NLTP (2018-21), exacerbated by the impacts of COVID-19.
- **State highway maintenance** is \$60.8 million (12%) above budget. The year-end forecast is expected to be significantly above budget. This is mainly due to the additional costs associated with contract rewards, establishment of Auckland System Management and Total Traffic Management, contract variations relating to additional traffic volumes, and increased allocation of Waka Kotahi operational costs. In conjunction with higher than expected emergency works, forecast spend exceeds the top of the GPS range.

Specific Crown-funded projects year to date expenditure is \$34.4 million (26%) below budget.

- **Accelerated Regional Roading Programme** is \$21.5 million (52%) below budget primarily due to delays with the Mt Messenger Bypass project (\$16.4 million), caused by Resource Management Act and property delays.
- **Provincial Growth Fund (PGF)** is \$5.6 million (66%) above budget, which includes funding for both Waka Kotahi projects and those delivered by approved organisations. All of Waka Kotahi’s projects are tracking to time and budget.
- **SuperGold Card** is \$1.5 million (5%) above budget as councils now have processes to submit their bulk funding claims earlier. Pre-COVID-19, funding was under pressure due to patronage growth in Auckland, with the shortfall to be covered by the NLTF. The likelihood is that most, if not all, of the “top-up” funding, approved by the Board in March, will not be required.

SUMMARY

\$331.4m
above
budget

NLTP

13% above budget

Crown

26% below budget

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED EXPENDITURE FOR NINE MONTHS ENDED 31 MARCH 2020

	YEAR TO DATE				2019/20	
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast [^] \$m	Budget \$m
State highway improvements	1,138.8	829.1	(309.7)	(37%)	1,370.3	1,113.2
Local road improvements	147.2	142.8	(4.4)	(3%)	244.0	272.0
Road safety promotion and demand mgmt.	34.2	38.6	4.4	12%	61.7	56.8
Road policing	269.5	256.6	(12.9)	(5%)	373.7	352.1
Regional improvements	67.0	96.6	29.6	31%	106.8	134.0
Public transport	443.0	388.5	(54.4)	(14%)	676.4	592.7
Walking and cycling	43.4	59.4	16.0	27%	58.2	104.5
Rapid transit	23.2	23.2	(0.0)	(0%)	33.3	180.6
Transitional rail	42.6	53.4	10.8	20%	44.8	157.0
State highway maintenance	558.2	497.4	(60.8)	(12%)	737.4	653.5
Local road maintenance	448.1	457.9	9.8	2%	690.2	666.0
Investment management	58.1	50.7	(7.3)	(14%)	88.4	70.1
NLTP approved expenditure	3,273.2	2,894.2	(379.0)	(13%)	4,485.0	4,352.5
Auckland Transport Package	0.0	0.0	0.0	0%	0.0	0.0
LR (Housing Infrast. Fund)	8.0	21.3	13.3	63%	34.3	41.0
NLTF funded expenditure	3,281.2	2,915.5	(365.7)	(13%)	4,519.4	4,393.5
Accelerated Regional Rooding Programme	20.2	41.7	21.5	52%	25.0	54.7
Kaikoura earthquake response	30.1	50.4	20.3	40%	48.0	65.0
Provincial Growth Fund	14.2	8.5	(5.6)	(66%)	82.3	13.5
SuperGold card	29.9	28.4	(1.5)	(5%)	30.7	29.7
Urban Cycleways Programme	5.3	5.0	(0.2)	(4%)	10.3	8.0
Regional investment opportunity	0.0	0.0	0.0	0%	18.2	0.0
NZ Upgrade programme	0.0	0.0	0.0	0%	34.5	0.0
Crown funded expenditure	99.6	134.0	34.4	26%	249.0	170.9
NLTP & Crown expenditure	3,380.8	3,049.5	(331.4)	(11%)	4,768.4	4,564.4
[^] Includes investment in state highways	1,890.2	1,580.6	(309.7)	(20%)	2,461.6	2,273.7
Operational expenditure	1,890.7	1,785.2	(105.6)	(6%)	2,782.4	2,757.3
Capital expenditure	1,490.2	1,264.4	(225.8)	(18%)	1,986.0	1,807.1
Total expenditure	3,380.8	3,049.5	(331.4)	(11%)	4,768.4	4,564.4

[^] The forecast was prepared as at 29 February to reflect an initial assessment of the impact of COVID-19. An updated forecast based on the latest trends and information will be prepared at 30 April.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED THREE-YEAR FORECAST EXPENDITURE

Output Classes	NLTP 2018-21						GPS FUNDING RANGES	
	Period to date	Period to date	NLTP Forecast [^]	Revised Budget [*]	Variance	Variance	Lower	Upper
	Actual	Budget	Forecast [^]	Budget [*]	Variance	Variance	\$m	\$m
	\$m	\$m	\$m	\$m	\$m	%		
State highway improvements	2,359.4	2,236.8	3,855.5	3,615.0	(240.5)	(7%)	3,000.0	3,850.0
Local road improvements	372.9	335.6	778.3	753.0	(25.3)	(3%)	430.0	1,030.0
Road safety promotion and demand mgmt.	78.0	88.6	162.3	188.0	25.7	14%	155.0	225.0
Road policing	607.0	609.6	1,106.0	1,063.0	(43.0)	(4%)	980.0	1,110.0
Regional improvements	205.5	208.9	369.1	405.0	35.9	9%	200.0	530.0
Public transport	954.3	937.5	1,895.7	1,825.0	(70.7)	(4%)	1,490.0	2,040.0
Walking and cycling	100.7	138.4	238.3	330.0	91.7	28%	235.0	360.0
Rapid transit	33.1	153.6	86.0	150.0	64.0	43%	150.0	760.0
Transitional rail	61.8	88.8	164.0	376.0	212.0	56%	145.0	435.0
State highway maintenance	1,275.2	1,162.4	2,164.5	2,007.0	(157.5)	(8%)	1,810.0	2,130.0
Local road maintenance	1,101.5	1,126.4	2,012.5	2,019.0	6.5	0%	1,800.0	2,120.0
Investment management	121.6	121.0	232.8	215.0	(17.8)	(8%)	195.0	235.0
NLTP approved expenditure	7,270.9	7,207.5	13,064.8	12,946.0	(118.8)	(1%)	10,590.0	14,825.0
Auckland Transport Package	12.5	12.5	12.5	12.5	0.0	0%	0.0	0.0
LR improvements (Housing Infrast. Fund)	11.0	44.6	60.8	80.0	19.2	24%	0.0	0.0
NLTF funded expenditure	7,294.4	7,264.6	13,138.1	13,038.5	(99.6)	(1%)	10,590.0	14,825.0
Investment management CAS	0.8	0.8	1.8	2.3	0.5	22%		
Accelerated Regional Roding Programme	39.0	75.1	79.7	82.7	3.0	4%		
Kaikoura earthquake response	143.2	287.4	189.1	189.0	(0.1)	(0%)		
Provincial Growth Fund	31.3	48.5	178.5	59.0	(119.5)	(203%)		
SuperGold card	59.3	57.8	90.8	90.0	(0.8)	(1%)		
Urban Cycleways Programme	18.3	30.4	23.7	27.0	3.3	12%		
Regional investment opportunity	0.0	0.0	88.3	0.0	(88.3)	(100%)		
NZ Upgrade programme	0.0	0.0	333.3	0.0	(333.3)	(100%)		
Crown funded expenditure	291.8	500.0	985.2	450.0	(535.2)	(119%)		
NLTP & Crown expenditure	7,586.2	7,764.7	14,123.3	13,488.5	(634.8)	(5%)		

[^] The forecast was prepared as at 29 February to reflect an initial assessment of the impact of COVID-19. An updated forecast based on the latest trends and information will be prepared at 30 April.

The activity classes most at risk of not meeting GPS ranges prior to COVID-19 impacts were:

- State highway improvements (upper limit)
- Walking and cycling (lower limit)
- Rapid transit (lower limit)
- State highway maintenance (upper limit)

WAKA KOTAHI

WAKA KOTAHI OPERATIONAL REVENUE; OPERATIONAL AND CAPITAL EXPENDITURE

Waka Kotahi operational expenditure is \$19.3 million below forecast.

- **Personnel costs** are \$10.2 million below forecast, reflecting a lower use of contract staff.
- **Operating expenses** are \$7.9 million below forecast, largely due to lower than anticipated use of contractors and professional advice.

The full year expenditure forecast was approved at \$39.6 million above budget, which is attributed to the 'back to basics' changes to the regulatory function, accelerated IT-related business initiatives, costs of relocating the office in Palmerston North, and other organisational changes.

Operational revenue is \$4.0 million below forecast mainly due to lower driver licensing and testing fees and lower motor vehicle licensing.

Waka Kotahi capital expenditure is \$3.5 million (37%) above forecast. The Auckland regional office relocation project is completed, and final costs received. There is additional capital expenditure forecast for tolling, IT hardware and the fitout for the Palmerston North office.

OPERATING
EXPENDITURE

\$19.3m
below
forecast

OPERATIONAL
REVENUE

\$4.0m
below
forecast

Capital Expenditure
37% above

	MONTH				YEAR TO DATE				2019/20	
	Actual	Forecast	Variance		Actual	Forecast	Variance		Forecast [^]	Budget
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	\$m	\$m
Expenditure classified by²:										
Personnel costs	17.5	20.5	3.0	15%	141.4	151.6	10.2	7%	207.2	185.4
Operating expenses	12.6	16.7	4.1	24%	126.0	133.9	7.9	6%	183.3	165.8
Depreciation/amortisation	1.0	1.2	0.2	16%	9.2	10.4	1.2	11%	14.5	14.2
Operational expenditure	31.1	38.4	7.3	19%	276.6	295.9	19.3	7%	405.0	365.4
Expenditure classified by:										
NLTP	15.1	18.9	3.8	20%	133.4	144.8	11.4	8%	195.2	180.0
Memorandum account	16.0	19.5	3.4	18%	143.2	151.1	7.9	5%	209.8	185.4
Memorandum account revenue	11.3	13.5	(2.2)	(16%)	122.2	126.2	(4.0)	(3%)	166.5	167.3
Capital expenditure	2.2	0.8	(1.4)	(175%)	13.0	9.5	(3.5)	(37%)	23.7	14.6

[^] Forecast was approved by the Board in December 2019.

² These costs represent the operating costs of Waka Kotahi, including some costs that are ultimately allocated to land transport funding activities. Personnel costs include contractors backfilling establishment roles or necessary to address a temporary peak in workload.

MEMORANDUM ACCOUNTS

The combined **memorandum accounts** balance is \$3.9 million above forecast, with the biggest variance, Driver licensing, being \$2.5 million above forecast due to lower overhead costs.

The year-end closing balance as per the forecast was expected to be a \$31.5 million deficit. Revenue is now expected to be down by \$24.8 million for 2019/20. The financial impact of COVID-19 lockdown comprises around \$18 million of the decrease. An application has been made to the Minister of Transport for funding for the net impact of Covid-19 (\$12m net of commissions). Post COVID-19 and pre-any COVID 19 funding our expected out-turn for the memo account balance is expected to be approximately \$7m worse than Forecast at a \$38.5m deficit.

Waka Kotahi made the first drawdown of regulatory loans (\$19.0 million) in April in relation to the operational deficit (\$8.5m), back to basics costs (\$8.9m) and third party costs (\$1.6m).

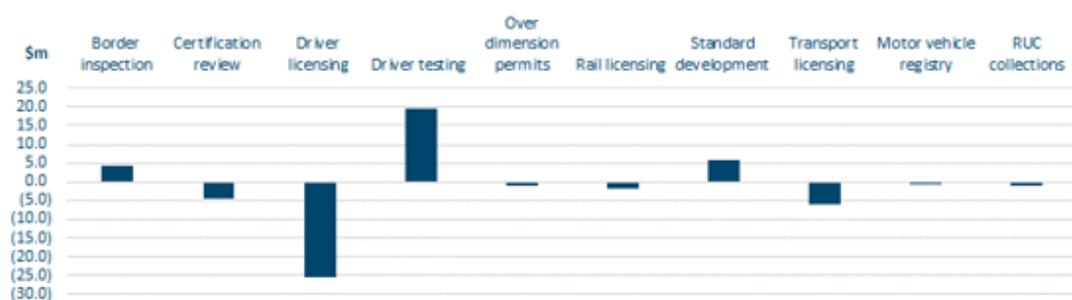
SUMMARY

\$3.9m
above
forecast

Closing balance
26% above budget

CLOSING BALANCE	YEAR TO DATE				2019/20	
	Actual \$m	Forecast \$m	Variance \$m	Variance %	Forecast [^] \$m	Budget \$m
Border inspection	4.5	4.3	0.1	3%	4.4	5.2
Certification review	(4.5)	(4.4)	(0.1)	(2%)	(3.0)	(3.5)
Driver licensing	(25.3)	(27.8)	2.5	9%	(38.7)	(27.8)
Driver testing	19.4	19.6	(0.2)	(1%)	19.6	19.7
Motor vehicle registry	(0.7)	(0.3)	(0.4)	108%	(1.3)	1.7
Over dimension permits	(1.1)	(1.1)	0.0	1%	(0.9)	(1.5)
Rail licensing	(1.9)	(1.9)	0.0	1%	(2.2)	(0.9)
RUC collections	(1.0)	(2.0)	1.0	50%	(2.1)	(1.9)
Standard development	5.6	4.8	0.8	16%	4.2	6.7
Transport licensing	(6.2)	(6.3)	0.1	1%	(11.7)	(6.2)
Total closing balances	(11.2)	(15.1)	3.9	26%	(31.5)	(8.3)

Memorandum account Year to date closing balance



[^] Forecast was approved by the Board in December 2019.

FUNDING AND LONG-TERM LIABILITIES

The total long-term funding liability is \$2,494.5 million, incorporating specific loan packages, public-private partnership commitments and the derivative financial liability. This is equivalent to 66.2% of forecast annual revenue, substantially below the Waka Kotahi's 175% guideline. Debt repayments of \$15 million represent 0.4% of revenue, comfortably within Waka Kotahi's 10% guideline. The latter metric will rise with the start of availability payments associated with the Transmission Gully and Puhoi-Warkworth PPPs, but will remain well within guidelines.

Waka Kotahi is compliant with all loan conditions.

The notional cash balance in the National Land Transport Fund is \$142.2 million as at March. The balance is likely to be in negative in May and remain in negative for longer than 12 months due to the financial impact of COVID-19. The shortfall is estimated to be close to \$1 billion by the end of 2020/21.

We are expecting to utilise the short-term revolving facility in May. We are also discussing with MoT and Treasury whether to increase the limit of short-term facility and repayment conditions to manage the deficit for 2019/20 while longer-term options are assessed.

SUMMARY

NLTF Cash balance
\$142.2m

	BALANCE			STATUS	
	March 2020 \$m	June 2019 \$m	Movement \$m	Total Facility Available \$m	Remaining Repayment Period Years
Short term revolving facility	0.0	0.0	0.0	250.0	N/A
Auckland Transport Package loan ^a	370.0	370.0	0.0	5.0	8 years
Tauranga Eastern Link loan	107.0	107.0	0.0	0.0	32 years
Housing Infrastructure Fund loan	6.0	3.0	3.0	357.0	10 years
Loans	483.0	480.0	3.0	612.0	
Fair value and other adjustments	(25.9)	(30.8)	4.9		
Total loans	457.1	449.2	7.9	612.0	
Transmission Gully (PPP)	927.5	798.5	129.0	1,100.0	22 years
Puhoi to Warkworth (PPP)	640.9	517.9	123.0	950.0	22 years
Total public-private partnerships	1,568.4	1,316.4	252.0	2,050.0	
Derivative financial liability	469.0	461.7	7.3		
Total funding liability	2,494.5	2,227.3	267.2	2,662.0	

^aFor use by Auckland Transport

Note: the Regulatory loan(s) drawdown in April will appear in future reports.