

## Impacts of COVID-19 on revenue to the NLTF and GPS 2021

<b>Reason for this briefing</b>	We have worked with Waka Kotahi to understand the impacts of reduced revenue (from COVID-19) on the National Land Transport Fund and delivery implications for the National Land Transport Programme (NLTP 2018-21) and Government Policy Statement (GPS) 2021. This briefing proposes funding options to mitigate the impacts.
<b>Action required</b>	Discuss with the Ministry potential options for funding for the 2020/21 year, and the longer-term GPS 2021 period.  Share a copy of this briefing with the Minister of Finance.
<b>Deadline</b>	1 June 2020.
<b>Reason for deadline</b>	To enable the Ministry to draft a Cabinet paper to give some funding certainty prior to the beginning of 2020/21, and the finalisation of GPS 2021.

### Contact for telephone discussion (if required)

Name	Position	Telephone	First contact
Helen White	Manager, Investment		✓
Bryn Gandy	Deputy Chief Executive, System Strategy & Investment		
Matthew Skinner	Senior Adviser, Investment		

### MINISTER'S COMMENTS:

Section 9(2)(a) of the OIA

<b>Date:</b>	27 May 2020	<b>Briefing number:</b>	OC200361
<b>Attention:</b>	Hon Phil Twyford (Minister of Transport)	<b>Security level:</b>	In Confidence

### Minister of Transport's office actions

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> <i>Noted</i>        | <input type="checkbox"/> <i>Seen</i>                 | <input type="checkbox"/> <i>Approved</i>            |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i>          |   |
| <input type="checkbox"/> <i>Withdrawn</i>    | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

## **Purpose of report**

1. The Ministry is progressing COVID-19 recovery work to confirm investment priorities and prioritisation in the near term, and to understand and guide transport revenue and financing over the longer term. You have taken decisions to provide interim funding for 2019/20 to enable immediate expenditure to continue.
2. This paper is the next part of that advice and relates to the short to medium term impact of COVID-19 on the National Land Transport Fund (NLTF), and guides decisions on:
  - 2.1. further support for the NLTF to implement the National Land Transport Programme (NLTP) 2018–21
  - 2.2. the finalisation of the draft Government Policy Statement on land transport 2021/22–2030/31 (GPS 2021)

## **Executive summary**

3. The NLTF is designed to provide a steady and forecastable revenue stream to enable funding certainty and stability for future investment decisions. However, the impact of COVID-19 on NLTF revenue creates uncertainty for Waka Kotahi NZ Transport Agency (Waka Kotahi) in giving effect to the Government's transport expenditure priorities.
4. Due to reduced revenue and increased expenditure, Waka Kotahi advised you that it will require additional funding for the remainder of the current financial year (2019/20) to deliver existing commitments. To address this, \$425 million of borrowing will be provided through the first wave of COVID-19 funding. In addition to Waka Kotahi's existing borrowing facilities (\$75 million for revenue and expenditure shocks and \$175 million to manage short-term cash flow), this will help ensure the projected shortfall for this year of \$675 million can be met.
5. There are further short-medium term funding issues for the upcoming financial year (2020/21) and the first three years of the GPS 2021 period. This is a result of the combined impact of reduced revenue forecasts (due to reduced travel), COVID-19 recovery expenditure (such as compensating for lack of public transport fare revenue), and the need to repay the funds borrowed to mitigate the shortfall in the current year.
6. Based on current forecasts, we expect the shortfall between revenue and planned expenditure from 1 July 2020 could be up to \$2.2 billion in total, made up of shortfalls of:
  - 6.1. \$870–\$1,370 million in 2020/21 (the remaining year of the current NLTP)
  - 6.2. \$200–\$400 million per year over 2021/22–2023/24 (the first three years of the next NLTP and GPS 2021).
7. These are significant amounts for the NLTF, which has about \$1.0–\$1.4 billion available each year to service debt and deliver new land transport projects that improve system levels of service.
8. There is limited flexibility to reduce expenditure in 2020/21. As the final year of the 2018–21 NLTP, 95 percent of previously expected revenue has already been committed. Over the medium-long term, there is more flexibility, but this compromises the ability to deliver on the priorities in the draft GPS 2021.
9. There are a range of potential actions Government can take to ensure the NLTF can deliver the NLTP and GPS 2021, including:

- 9.1. topping up the NLTF with Crown funding (i.e. a Crown Grant)
  - 9.2. providing an increase in borrowing capability to Waka Kotahi to enable the shock to be met over a longer period, repaid through reduced future expenditure and/or increased fuel excise duty (FED) and road user charges (RUC)
  - 9.3. signalling to Waka Kotahi that it will have to reduce expenditure to balance a reduced NLTF.
10. We would like to discuss the potential for a balanced option with you, using a combination of the actions listed under 9.1–9.3 above to minimise the impact on the Crown, the NLTF and New Zealanders. Depending on the preferred option, we may need to prepare a Cabinet paper to establish the necessary appropriations.
11. Current measures are expected to provide sufficient flexibility until 30 June 2020. Providing funding certainty for 1 July 2020 onwards will enable:
- 11.1. Waka Kotahi to confirm the NLTP and maintain cash flow through the start of the 2020/21 financial year
  - 11.2. Waka Kotahi to provide certainty to local government on the investment pipeline
  - 11.3. you to finalise the GPS 2021 with updated priorities to reflect the expected funding scenarios.

#### **COVID-19 has eroded the medium-term certainty usually provided by the NLTF**

- 12. The impact of COVID-19 has reduced transport revenue, due to reduced fuel imports/production (and therefore FED collected), and reduced RUC purchases resulting from a decline in travel. This reduction in revenue has been directly proportionate to the change in travel patterns.
- 13. Under all other circumstances, the NLTF has always been a steady and predictable revenue stream that provides medium-term certainty for what will be spent on transport. This predictability gives central and local government the ability to plan ahead for expenditure.
- 14. Being able to provide certainty about what will be available to support the current NLTP and NLTP 2021 is important to local government and the construction sector. It helps provide confidence in the pipeline of works/investment, and is important to supporting the economy and employment.

#### **Cabinet has approved an increase in NLTF borrowing to mitigate the immediate impact**

- 15. To mitigate the impact on NLTF revenue, we expect Waka Kotahi will be provided with a further borrowing facility of \$425 million, in addition to the \$175 million it can currently borrow for managing cash flow and \$75 million for revenue and expenditure shocks [OC200294 refers].
- 16. The additional borrowing will help to meet cash flow obligations to 30 June 2020, despite the reduced revenue and some higher expenditure resulting from the COVID-19 response. Waka Kotahi intends to draw down from this facility once it is approved by the Minister of Finance.

17. The borrowing is subject to interest and must be repaid through the NLTF (currently proposed to be within seven years, subject to finalisation). The repayments will need to be reflected when finalising the GPS 2021, and we will incorporate this into our upcoming advice on potential updates following public engagement.

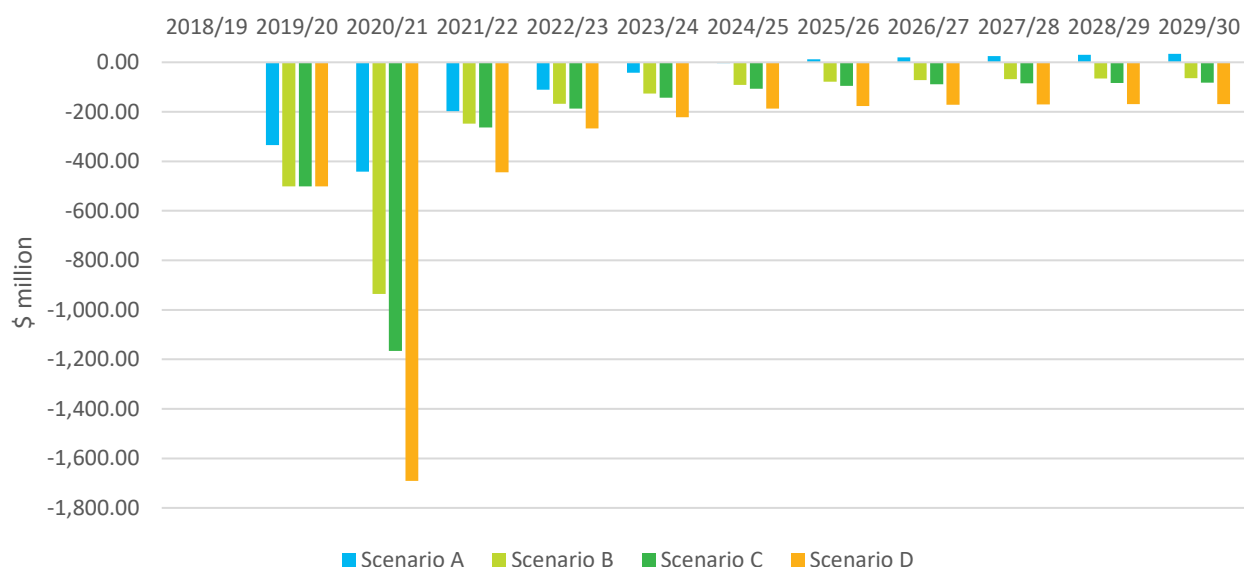
### NLTF revenue is expected to be lower over the next few years as a result of COVID-19

18. Revenue forecasts under various COVID-19 Alert Level scenarios were produced in early April 2020 based on the assumptions in Table 1, and are shown in Graph 1. We are working to revise these estimates based on recent revenue received and latest expectations for how long each alert level will last. We expect to be able to provide a further update in June 2020.

**Table 1: Assumptions for revenue scenarios**

Scenario	Number of months in each Alert Level over the next 15 months				Economic Recovery Rate
	Alert Level 1	Alert Level 2	Alert Level 3	Alert Level 4	
A (BEFU)	3	11	0	1	Fast
B	5	6	2	2	Moderate
C	6	3	3	3	Moderate
D	5	2	3	5	Slow

**Graph 1: Forecast revenue under different scenarios relative to pre-COVID revenue expectations**



*Note: 2019/20 is already covered by the borrowing facility approved in Budget 2020.*

19. Based on actual data for April 2020, and the progression down through Alert Levels to date, our current view is that the revenue impact on the NLTF will fall somewhere between Scenarios A and B.

## Expenditure needs are higher than they were pre-COVID

20. Before Government imposed restrictions in response to COVID-19, Waka Kotahi had already largely committed the pre-COVID forecast NLTF revenue for 2020/21 as part of its delivery of the 2018–21 NLTP. It now faces additional COVID-19 related costs.

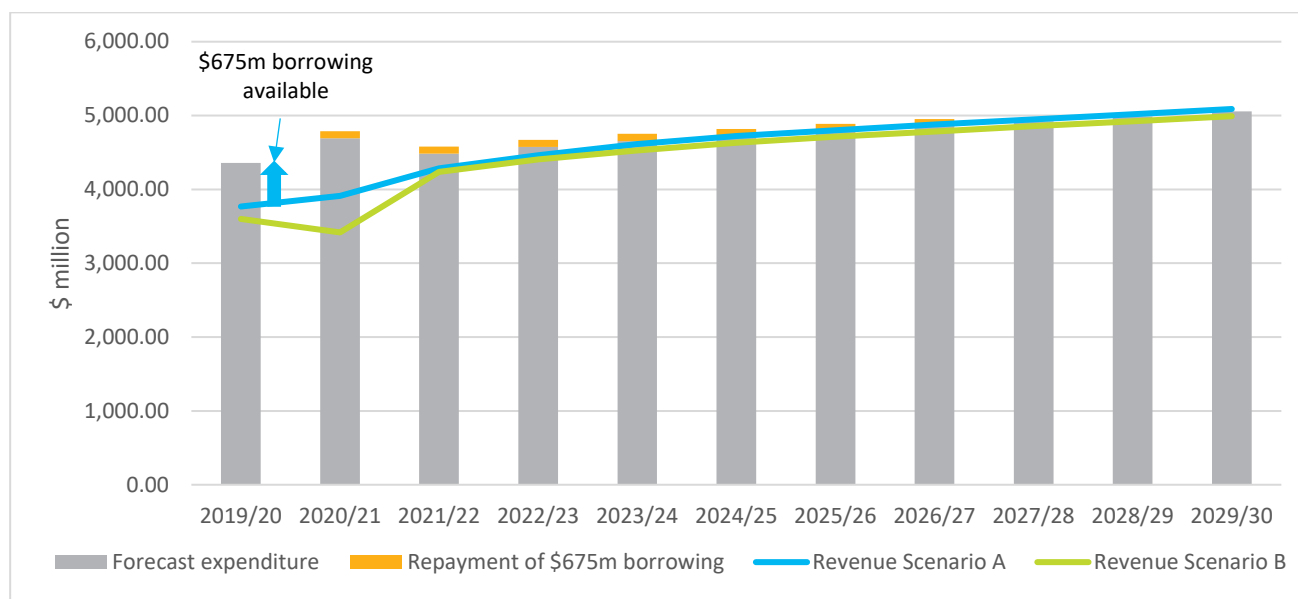
20.1. The NLTF has supported fare-free public transport through the lockdown through covering the portion usually covered by passenger fares period (around \$110 million).

20.2. The NLTF will need to repay the borrowing incurred to respond to the 2019/20 shortfall (up to \$675 million).

20.3.

21. Graph 2 sets out the total expenditure commitments relative to the more realistic revenue forecast scenarios. The commitments for 2020/21 are based on the expectations in the current NLTP (including the costs set out above), and the following 10 years are based on the draft GPS 2021 signals. The graph assumes the \$675 million borrowing will be repaid evenly over seven years.

**Graph 2: Expenditure over the 2020/21 NLTP and the 10 year GPS 2021 period**



22. Graph 2 shows a \$1.5–\$2.2 billion gap between revenue and planned expenditure over 2020/21–2023/24 (note, this excludes 2019/20, which is resolved with the new \$425m borrowing facility provided). Table 2 shows the potential gap between revenue and expenditure (including estimated borrowing repayments) based on our current estimate of the realistic ‘worst case’ revenue scenario (Scenario B).

**Table 2: 'Worst case' revenue scenario relative to proposed expenditure for next four years**

	2020/21	2021/22	2022/23	2023/24	Total
Forecast revenue (Scenario B)	3,417	4,236	4,406	4,528	<b>16,587</b>
Proposed expenditure (total)	4,793	4,583	4,674	4,754	<b>18,804</b>
<b>Potential gap</b>	<b>-1,376</b>	<b>-347</b>	<b>-268</b>	<b>-226</b>	<b>-2,217</b>

23. There is some uncertainty resulting from COVID-19 in the timing, cost and delivery of the significant capital projects programme. Due to delays caused by the COVID-19 lockdown period, it is likely project timeframes will be extended, which could increase costs. Ensuring sufficient revenue is available to meet contractual commitments becomes more important to help mitigate any risks.
24. There is also uncertainty around the impacts of COVID-19 on councils' ability to pay local share. Projects delivered by local government make up approximately \$1.1 billion of the forecast expenditure in 2020/21. This might result in less than expected expenditure if councils progress fewer projects than approved. On the other hand, if councils prioritise transport spend, it is important that the NLTF can contribute its share. Waka Kotahi and the Department of Internal Affairs are working with local government to understand likely outcomes, including whether it could create savings to minimise the overall shortfall<sup>2</sup>.

### **There are three options to reduce the pressure on the NLTF**

25. The following options can help to reduce the pressure on the NLTF in delivering the 2018–21 NLTP and retaining expenditure expectations through the GPS 2021 period.

#### *Option 1: Crown grant*

26. The Crown could provide additional funding to support the NLTF. Under this option there would be no expectation that these costs would be repaid through the NLTF, with any borrowing costs met by the Crown. This provides more flexibility for the NLTF to meet expenditure requirements in future years without needing to increase FED and RUC.
27. A Crown grant could directly top up the NLTF, giving Waka Kotahi the ability to spend as required to manage expenditure within total available funding. This could be in the form of an under-write — setting the maximum Waka Kotahi could spend (for example, proposed pre-COVID expenditure). Any increases in NLTF revenue would reduce the total amount that can be drawn down. This would encourage more efficient expenditure, and ensure the funding is not used to expand the NLTP beyond pre-COVID levels.
28. An alternative mechanism for delivery of a Crown grant could see Ministers select specific projects for Crown-funding. This would relieve pressure on the NLTF to deliver other priorities. This is a more targeted approach to provide funding certainty where the Crown is responsible for deciding which projects are delivered. In some cases, the Crown might be funding projects that have already been announced as funded via the NLTF (for example, the Manawatu Gorge replacement). In the longer term, direct funding for significant future projects would free up funding in the NLTF to progress other GPS priorities (for example,

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<sup>2</sup> A possible response would be to provide additional support from the NLTF to local government to ensure delivery despite their funding constraints. This could result in the NLTF delivering fewer projects than expected, but would not create savings for the NLTF. We have not considered this for this paper.

Crown funding for Auckland Light Rail would allow the redistribution of the allocated NLTF funding across other activities).

*Option 2: NLTF borrowing*

29. Cabinet could approve increased borrowing for the NLTF to mitigate any funding shortfall. Repayments would be made over a pre-determined period from the NLTF subject to the terms set by the Minister of Finance and Treasury.
30. The total borrowing required could be up to \$2.2 billion over 2020/21–2023/24, and would only be drawn down if required to balance revenue with the proposed expenditure. Future repayments would come from the NLTF, which is a strong incentive to ensure that drawdowns are limited.

9(2)(b)(ii) of the OIA
- 31.
32. In addition, Government programmes such as Let's Get Wellington Moving already assume increased borrowing in order to spread the long-term costs of the programme across a longer period (with regular FED and RUC increases to support debt repayments). Further increases to borrowing will further increase the proportion of the NLTF required to service debt.
33. We therefore do not recommend that this option without a proposed solution for how borrowing and interest are to be repaid. This could be managed in different ways.
  - 33.1. Providing additional revenue to service the debt — a one-off FED and RUC increase provides regular (and usually stable) future annual revenue that can be used to service additional repayments. While the draft GPS 2021 ruled out FED and RUC increases over the first three years, increases provide certainty to enable the payback of debt. For example, a one-off increase of 4 cents per litre on 1 July 2021 would provide \$200–\$250 million per year, which would be sufficient to service annual debt and interest payments on \$2.2 billion being repaid over 10 years.
  - 33.2. Longer repayment period — a \$2.2 billion loan with a 5 year repayment term would require \$450 million per year to service the debt. Doubling this to a 10 year repayment period would roughly halve the annual repayments to around \$230 million, leaving more annual discretion in future years to deliver other priorities, but incurring higher interest costs over the term. You could recommend a longer term to Cabinet, but this will not make repayments affordable in isolation, so would need an accompanying revenue increase or expenditure reduction.

*Option 3: Reduce 2018–21 NLTP and GPS 2021 expenditure*

34. Without additional funding, Waka Kotahi would be required to manage expenditure within existing revenue levels. This would require any shortfall to be covered entirely through reduced expenditure.
35. In 2020/21, the current programmed expenditure includes:
  - 35.1. base expenditure required to keep the system running (\$2.749 billion)

35.2. work that is contracted and funded (\$1.749 billion)

35.3. work that is approved but not yet contracted (\$0.195 billion)

36. Within the base expenditure, there is minimal flexibility for deferrals. For example:

36.1. maintenance — Waka Kotahi advises that spending cuts should be avoided because of the impact it would have on safety, and the importance of continuing spend to keep the network from deteriorating

36.2.

36.3. public transport services — if anything, these costs may increase through the COVID-19 response due to ensuring sufficient capacity while maintaining physical distancing, and we do not recommend seeking savings in this area.

37.

38. We recommend avoiding both of these outcomes, as the projects included in the 2018–21 NLTP are the closest to ‘shovel ready’ of all transport projects. These should be the highest priorities, given the Government’s commitment to infrastructure and economic stimulus/job creation.

39. The Government has additional flexibility to reduce expenditure over the GPS 2021 period. However, this would reduce the ability of the GPS 2021 to fully deliver the Government’s transport priorities, particularly in the first three years where 71 percent of pre-COVID

Information withheld under section 9(2)(b)(ii) of the OIA

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<sup>3</sup> Note that reducing expenditure in some areas, such as the Walking and Cycling activity class, might require amendments to GPS 2018 to reduce the lower range that Waka Kotahi can spend to.



forecast revenue is already committed. The largest non-contracted items in the first three years of GPS 2021 are key government priorities, such as:

- 39.1. the Auckland Transport Alignment Project (ATAP) (around \$650 million of discretionary expenditure per year), including Auckland Light Rail
  - 39.2. Road to Zero investment (around \$450 million of discretionary expenditure per year)
  - 39.3. rail funding (around \$120 million of discretionary expenditure per year).
40. If you do not wish to seek further funding from Cabinet, we can work with Waka Kotahi to provide further advice, potential options and scenarios for reducing expenditure. Reducing funding for any of the above would require an amendment to the draft GPS 2021 strategic priorities.

### **A balanced approach may be preferable**

41. All three options are feasible on their own (although as discussed above, option 3 is not recommended as a solution to mitigating the shortfall in 2020/21 due to the costs of breaking contracts). However, a balanced approach can help to achieve the benefits of the options across the medium term.
42. Opportunities for partial Crown funding include:
- 42.1. additional funding to meet the costs directly related to COVID-19 (such as free public transport)  
Information withheld under section 9(2)(b)(ii) of the OIA
  - 42.2.
  - 42.3. funding for a range of economic stimulus projects (for example, the Crown Infrastructure Partners process may identify some transport projects that would otherwise have been delivered through GPS 2021, freeing up NLTF funding for other activities<sup>4</sup>)
  - 42.4.
43. Crown funding of this scale would not completely resolve the NLTF funding pressure but the remaining difference could be met through borrowing. Future borrowing would be funded through either reducing future expenditure to create headroom, or increasing FED and RUC. While FED and RUC increases were ruled out in the draft GPS 2021, 78 percent of submissions through public engagement supported future increases. We consider small and regular increases to be an efficient and reasonable means to maintain the purchasing power of the NLTF.

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<sup>4</sup> This process will progress projects with an economic stimulus focus, which is quite different to the GPS priorities. We therefore do not expect there will be much overlap, and it is unlikely to result in material savings for the NLTF.

44. Appendix 1 includes some potential combinations of options that you could consider.
45. We are keen to understand your thoughts on the options or combination of options, and can draft a Cabinet paper with a funding request that reflects your preferred approach.

## **Consultation**

46. We have worked with Waka Kotahi and the Treasury on the advice in this paper.
47. Waka Kotahi is seeking an approach that provides funding and financing certainty as soon as possible, in particular to help to manage cash flow from 1 July 2020.

### *Treasury comment*

48. Treasury supports the need for additional funding in 2020/21 due to the limited discretion over spend in the last year of this NLTP as well as the importance of maintaining investment in the core transport system to support the economic recovery from COVID-19. Of the options the Ministry has identified, Treasury recommends that the funding gap be bridged with further debt, as this will put the appropriate incentives on Waka Kotahi to draw down only the amount needed and is also consistent with the user-pays nature of the NLTF.
49. Treasury also recommends that Ministers consider future increases to FED and RUC to ensure that the NLTF has sufficient revenue to fund the Government's objectives for land transport in the longer term. It recognises that increasing land transport revenue would have a welfare impact on households at a time of economic distress, and therefore proposes that any increases are phased in from 2021/22.
50. Treasury considers that Ministers have more discretion in terms of funding for 2021/22 and beyond depending on when the GPS 2021 is finalised. If Ministers wish to take decisions on funding now, it recommends the same solution as above of further debt accompanied by increases to FED and RUC.

## **Next steps**

51. Budget 2020 includes provision for up to \$20 billion for COVID-19 recovery expenditure.
52. There is relevant urgency to progress your preferred option to ensure we can confirm the funding approach for 2020/21 and give Waka Kotahi the cash flow certainty it needs to deliver the final year of the 2018–21 NLTP. Timely decisions will also be required to ensure we meet expected timeframes for finalising GPS 2021.
53. We would like to discuss this paper with you to understand your preferred approach and progress the next steps. In particular, we seek a steer from you on:
  - 53.1. the approach to managing the forecast revenue shortfall in 2020/21
  - 53.2. consequential impacts on GPS 2021, including reprioritising expenditure versus seeking additional revenue
  - 53.3. your view on future FED and RUC increases to assist in the COVID-19 recovery.
54. We also recommend that you share this paper on to the Minister of Finance.

55. As discussed earlier in the paper, we will continue to refine revenue forecasts and expenditure projections to ensure they are as accurate as possible before we seek decisions from Cabinet.

*Proposed timeframe*

56. The following is a possible timeline to enable decisions before 30 June 2020, assuming your preferred course of action requires Cabinet approval.

Date	Milestone
27 May 2020	Advice provided to Minister
2 June 2020	Discuss potential options at the Ministry officials meeting
5 June 2020	Draft Cabinet paper to Minister (including targeted engagement with Waka Kotahi, the Treasury, the Department of Internal Affairs and DPMC)
9 – 16 June 2020	Cross-party consultation on draft Cabinet paper
18 June 2020	Cabinet paper submitted to Cabinet office
24 June 2020	Paper to Cabinet Economic Development Committee (DEV)
29 June 2020	Cabinet consideration

57. This is an ambitious timeframe with limited allowance for cross-party and interdepartmental engagement. However, even meeting these timeframes Waka Kotahi is concerned that it may not leave sufficient time to draft the terms for a borrowing facility before it is needed on 1 July 2020. We are continuing to work with Waka Kotahi to understand the urgency, particularly given we expect the \$675 million borrowing it will have access to should provide some flexibility.

**Recommendations**

58. The recommendations are that you:

- |     |   |        |
|-----|---|--------|
| (a) | <b>discuss</b> the briefing with the Ministry at the next available opportunity | Yes/No |
| (b) | <b>share</b> a copy of this briefing with the Minister of Finance               | Yes/No |

Helen White  
**Manager Investment**

**MINISTER'S SIGNATURE:**

**DATE:**

## Appendix 1: Indicative examples of possible combinations to mitigate NLTF shortfall

The following examples are indicative only, to highlight potential options. The 'shortfall before' assumes funding the draft GPS 2021 priorities, as well as repaying the \$675 million borrowing likely to be drawn down in 2019/20. A 'shortfall after' identifies where the combination of measures has not fully resolved the funding shortfall – it would be possible to offset this by scaling back the priorities included in the final GPS 2021 or seeking to increase FED/RUC further.

### Example 1: Full Crown funding for first 4 years

All figures \$m	Action	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Shortfall before</b>		<b>-1,376</b>	<b>-348</b>	<b>-268</b>	<b>-226</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>
Crown funding	Non-repayable grant	1376	348	268	226							
<b>Surplus/ shortfall after</b>	<b>Total shortfall \$496m Scale back GPS 2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>

### Example 2: Borrow to smooth shortfall, and meet repayments with a one-off 4c/l FED/RUC increase

All figures \$m	Action	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Shortfall before</b>		<b>-1,376</b>	<b>-348</b>	<b>-268</b>	<b>-226</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>
Borrowing facility	To be repaid over 10 years with 1% interest p.a.	1,500										
Borrowing repayments			-155	-155	-155	-155	-155	-155	-155	-155	-155	-155
Increase FED and RUC	4 cents per litre on 1 July 2021	0	229	236	244	250	256	261	266	272	277	282
<b>Surplus/ shortfall after</b>	<b>Total shortfall \$496m Scale back GPS 2021</b>	<b>124</b>	<b>-274</b>	<b>-187</b>	<b>-137</b>	<b>-96</b>	<b>-77</b>	<b>-66</b>	<b>43</b>	<b>52</b>	<b>58</b>	<b>64</b>

### Example 3: Borrow to smooth shortfall, and fill with CPI FED/RUC increases over 3 years

All figures \$m	Action	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Shortfall before</b>		<b>-1,376</b>	<b>-348</b>	<b>-268</b>	<b>-226</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>
Borrowing facility	To be repaid over 10 years with 1% interest p.a.	1,500	500									
Borrowing repayments			-155	-215	-215	-215	-215	-215	-215	-215	-215	-215
Increase FED and RUC	2 cents per litre on 1 July 2021, 2022 and 2023	0	114	236	365	375	383	392	400	408	416	423
<b>Surplus/ shortfall after</b>	<b>Total surplus \$403m GPS fully affordable</b>	<b>124</b>	<b>111</b>	<b>-247</b>	<b>-76</b>	<b>-31</b>	<b>-10</b>	<b>5</b>	<b>117</b>	<b>128</b>	<b>137</b>	<b>145</b>

Examples 4 and 5 include specific projects that could be funded from an alternative source. We have chosen these particular projects as examples of activities with a significant cost, but that are yet to be committed, and therefore have flexibility in their delivery and funding.

*Example 4: Remove East West Link from NLTF, borrow to smooth 2020/21 shortfall, no FED/RUC increases.*

All figures \$m	Action	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Shortfall before</b>		<b>-1,376</b>	<b>-348</b>	<b>-268</b>	<b>-226</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>
Borrowing facility	To be repaid over 10 years with 1% interest p.a.	1,500										
Borrowing repayments			-155	-155	-155	-155	-155	-155	-155	-155	-155	-155
Remove expenditure from NLTP	No funding for East West Link through the NLTF	5	93	108	179	144	166	111				
<b>Surplus/ shortfall after</b>	<b>Total shortfall \$2,263m Scale back GPS 2021</b>	<b>129</b>	<b>-410</b>	<b>-315</b>	<b>-202</b>	<b>-202</b>	<b>-167</b>	<b>-216</b>	<b>-223</b>	<b>-220</b>	<b>-219</b>	<b>-218</b>

*Example 5: Alternative funding for Auckland Light Rail, Crown grant to cover costs directly related to COVID-19, borrow to smooth 2020/21 shortfall, increase FED/RUC by 2c/l to meet future borrowing repayments.*

All figures \$m	Action	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<b>Shortfall before</b>		<b>-1,376</b>	<b>-348</b>	<b>-268</b>	<b>-226</b>	<b>-191</b>	<b>-178</b>	<b>-172</b>	<b>-68</b>	<b>-65</b>	<b>-64</b>	<b>-63</b>
Crown grant	To cover direct COVID costs	200										
Borrowing facility	To be repaid over 10 years with 1% interest p.a.	1,300										
Borrowing repayments			-140	-140	-140	-140	-140	-140	-140	-140	-140	-140
Remove expenditure from NLTP	No funding for Auckland Light Rail through the NLTF		180	180	180	180	180	180	180	180	180	180
Increase FED and RUC	2 cents per litre on 1 July 2021	0	114	118	122	125	128	131	133	136	139	141
<b>Surplus/ shortfall after</b>	<b>Total shortfall \$19m GPS mostly affordable</b>	<b>124</b>	<b>-198</b>	<b>-118</b>	<b>-76</b>	<b>-41</b>	<b>-28</b>	<b>-22</b>	<b>82</b>	<b>85</b>	<b>86</b>	<b>87</b>