

## **Information Note on the Application of Inflation Forecasts for the NTA and TII**

24<sup>th</sup> May 2023

Cost Price Inflation is a measure of the increase in cost of delivering a project and does not reflect the market's position on risk and profit margins. These contributors are considered in Tender Price Inflation, which is a measure of the increase in the tender prices submitted for projects, and is usually higher than the Cost Price Index.

Both the National Transport Authority (NTA) and Transport Infrastructure Ireland (TII) use methodologies that are equivalent to the end result:

### **NTA Methodology:**

The NTA preference is for use of the 'Tender Price Index' (TPI) to establish inflationary allowances for projects where the NTA is the Approving Authority.

### **TII Methodology:**

The TII preference is to use the 'Cost Price Index' (CPI) to establish inflationary allowances for projects in their remit. This approach is permissible by the NTA where the NTA is the approving authority.

### **Rationale**

NTA: The use of the 'Tender Price Index' is more adequate for urban and high risk driven projects.

TII: Use of the 'Cost Price Index' is more complimentary to the cost and risk estimating methodologies employed by TII.

### **Conclusion**

While the respective positions may differ at face value, there is no conflict. Cost estimating for projects does not have a universal methodology or approach, and therefore the inflation methodology should complement the estimating methodology.

In the event of competing policies between a Sponsoring Agency and the NTA's (Approving Authority) position, the default position should be to use the relevant approving authority's preferred index. However, the Sponsoring Agency can submit an application to use an alternative index and shall provide detailed reasoning and substantiation where this is the case.