

22 June 2021

**Submission of Infrastructure New Zealand on Infrastructure Commission's
consultation document, *He Tūāpapa ki te Ora – Infrastructure for a Better Future***

Executive summary

- a. Infrastructure New Zealand welcomes the opportunity to make a submission on Infrastructure Commission's consultation document titled 'He Tūāpapa ki te Ora – Infrastructure for a Better Future.
- b. The need for a comprehensive, all-inclusive approach to infrastructure is well overdue and we congratulate the commission for its efforts.
- c. Infrastructure New Zealand supports the adoption of an infrastructure strategy for all of New Zealand that will promote an approach to infrastructure ultimately improve New Zealanders' wellbeing.
- d. Aotearoa New Zealand Infrastructure Strategy 2050 will need to have a wide remit covering central as well as local government in order to successfully promote infrastructure and infrastructure outcomes that meet community expectations now and in the future.
- e. It is only a remit covering local and central government that will help address New Zealand's infrastructure gap over the long-term.
- f. Aotearoa New Zealand Infrastructure Strategy 2050 will need to be bold and take a holistic approach.
- g. We broadly support the various options put forward in the consultation document and propose some options that we believe would result in a much better infrastructure strategy.
- h. Infrastructure New Zealand anticipates significant work will be required after consultations close and we would welcome the opportunity to work with the commission in finalising the draft strategy.

1. Introduction

- 1.1 This is Infrastructure New Zealand's submission on Infrastructure Commission's consultation document titled, 'He Tūāpapa ki te Ora – Infrastructure for a Better Future'.
- 1.2 Infrastructure New Zealand is New Zealand's peak industry body for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Our members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.
- 1.3 Infrastructure New Zealand welcomes this opportunity to make a submission.
- 1.4 We commend Infrastructure Commission for its extensive efforts in putting together the consultation document. The consultation document has managed to bring together critical issues that have mostly been discussed in parallel or in isolation to each other. To see matters like resource management reforms, infrastructure funding and financing and centralised procurement is encouraging and demonstrates a keen willingness to take a holistic approach to infrastructure.
- 1.5 Infrastructure New Zealand broadly supports the various options discussed in the consultation document and responds to the more strategic questions.
- 1.6 This submission focusses on the infrastructure system and so avoids emphasis on specific sectors, e.g. three waters.
- 1.7 This submission is divided into three parts:
 - Part 1 is laid out in a narrative format and sets the strategic context. This section discusses matters that are not necessarily included in the consultation document or do not have a corresponding question.
 - Part 2 is laid out in a table format and responds to the more strategic questions; the table format is intended for ease of reference.
 - Part 3 of this submission lays out the submission's conclusion.
- 1.8 This submission refers to the draft infrastructure strategy that will be presented to the Minister for Infrastructure in September 2021 as the **Aotearoa New Zealand Infrastructure Strategy 2050**.
- 1.9 Please direct enquiries to [REDACTED], Chief Advisor, at [REDACTED]

Part 1: Setting the strategic context

2. The remit of the Aotearoa New Zealand Infrastructure Strategy 2050

- 2.1 Aotearoa New Zealand Infrastructure Strategy 2050 will be key to creating an infrastructure system that responds to New Zealanders' expectations now and in future. The strategy will need to be future-focussed and account for future generations.
- 2.2 The consultation document rightly notes that New Zealand has a lot of organisations that plan, build and operate infrastructure but no single institution looking across them all. Aotearoa New Zealand Infrastructure Strategy 2050 will play a critical role in achieving that. As a strategic document, the strategy will need to set the direction of other lower-level strategies, policies and plans that give effect to Aotearoa New Zealand Infrastructure Strategy 2050.

- 2.3 The strategy should therefore include infrastructure matters for all relevant sectors ranging from social to energy to digital infrastructure. To this end, we submit that Infrastructure Commission should consider the merits of including the spatial elements of an energy strategy into Aotearoa New Zealand Infrastructure Strategy 2050, leaving only the policy aspects to be designed and adopted at a later date.
- 2.4 The possibility of having several strategies operating in parallel to each other runs the risk of different sectors starting to exist in silos and resulting in suboptimal outcomes. Having several strategies would be appropriate where there is a national spatial plan.
- 2.5 We note that Infrastructure Commission's main aim is to co-ordinate, develop, and promote an approach to infrastructure that encourages infrastructure – and services that result from the infrastructure – that improve the wellbeing of New Zealanders. Aotearoa New Zealand Infrastructure Strategy 2050 needs to be able to reflect this aim.
- 2.6 The strategy must first focus on providing direction, infrastructure priorities, and community expectations over the next 30 years, and then partnerships to achieve these.

Need to be bold

- 2.7 The strategy also needs to be bold and explicitly state whether existing infrastructure has the ability to meet community expectations for the next 30 years. The consultation document strongly suggests that is a stretch by any measure.
- 2.8 The strategy also needs to identify the priorities for infrastructure for the next 30 years. The consultation document proposes the development of a priority list of projects and initiatives that is consistent with the Aotearoa New Zealand Infrastructure Strategy 2050. We support this.
- 2.9 Consideration should also be given to the scope being widened to a list of key major infrastructure projects and initiatives that are needed, e.g. a second Waitemata Harbour crossing in Auckland.

A living document

- 2.1 The strategy needs to be a living document to remain relevant. We note the strategy will be reviewed every three years but this would be to review strategic direction.
- 2.2 Enabling periodic rolling updates to statistics, projections, and government policies would assist other government departments, councils, and the private sector align actions with a strategy that remains up-to-date.
- 2.3 A living document appropriately informs other plans and policies and also assists with implementation.
- 2.4 There would also be value in the commission preparing and publishing dashboards that provide a visual representation of matters such as (but not limited to):
 - number and types of infrastructure owned by central and local government
 - state of the nation's infrastructure
 - the nation's infrastructure deficit
 - depreciation gap, that is, how infrastructure assets are faring in terms of depreciation funds accumulated to renew/replace them
 - areas/regions with the highest deficit
 - identify how far off infrastructure is from meeting New Zealanders' expectations
 - acknowledge best performing regions
 - identify best performing asset classes
 - capacity and useful life of key infrastructure.

3. The need for a holistic approach

- 3.1 The success of Aotearoa New Zealand Infrastructure Strategy 2050 will lie in its ability to take a holistic approach to infrastructure across the country.
- 3.2 This in turn requires the strategy to be bold and go further in infrastructure matters currently overseen by the local government. For instance, we see merit in the commission having greater involvement in the preparation of councils' infrastructure strategies instead of councils just relying on feedback from the Office of the Auditor-General after council infrastructure strategies have been finalised.
- 3.3 Aotearoa New Zealand Infrastructure Strategy 2050 must consider the perquisite infrastructure greenfield developments will need – this includes social infrastructure. There is also a need to ensure greenfield developments have commercial/industrial centres that will provide meaningful employment to its residents.
- 3.4 For instance, the current approach to greenfield developments creates a reliance on private vehicles from the outset since public transport is only provided much later on. When public transport eventually does get provided, it is not as attractive an option because:
 - most residents are no longer able to easily switch to public transport, especially where they are travelling much longer distances and where public transport options would require transfers (and waiting times between those transfers)
 - buses then become caught up in traffic congestion and where passengers require to transfer to another bus or train, they get significantly delayed.
- 3.5 Further, most of these greenfield areas are only focussed on the supply of residential dwellings and do not have much to offer in terms of employment whether that be office, commercial or industrial activities. The most that usually gets delivered is limited opportunities in the retail sector.
- 3.6 The same can be said for schools in new greenfield areas. Otherwise, people will continue to have to travel long distances for school and work purposes which would worsen congestion and emission levels. The levying of congestion pricing and high emissions-related taxes would only then be seen as punitive taxes.
- 3.7 Mattress maker Sleepyhead recently secured approval to build a \$1.2 billion industrial manufacturing and housing development site on 176 hectares of land in Ohinewai, North Waikato. The company intends to first build a foam factory and commence construction of residential dwellings once the foam factory has opened.

Implementing resource management system reforms

- 3.8 The consultation document discusses the resource management system reforms at some length and identifies options that are largely consistent with central government's thinking.
- 3.9 Resource management system reforms will see the Resource Management Act 1991 being replaced by three acts being the:
 - Natural and Built Environments Act to provide for land use and environmental regulation
 - Strategic Planning Act to integrate with other legislation relevant to development, and require long-term regional spatial strategies
 - Climate Change Adaptation Act to address complex issues associated with managed retreat and funding and financing adaptation.
- 3.10 The Natural and Built Environments Act will see an eventual reduction in existing 100-plus council planning documents relating to the resource management system reduced to around 14 combined plans.

- 3.11 It is thus also important to consider whether the number of resource consenting authorities can also be reduced in the interests of reducing costs, improving transparency and enhancing consistency in decision-making.

Local government funding and financing – One policy to rule them all

- 3.12 The intention of resource management system reforms to reduce the number of council resource management plans to 14 should be replicated for the purposes of local government funding and financing to bring about standardisation and enhance transparency, ease of use (for developers operating across regions), effectiveness and efficiency.
- 3.13 Infrastructure New Zealand proposes that Infrastructure Commission should explore the merits of a single National Development Contributions Policy for all councils to follow. The policy would be prepared, published and periodically reviewed by the commission. It will lay out all matters councils currently cover in their individual policies, e.g. policy objectives, definitions, development agreements, limitations, payments, remissions, and methodology. Councils would then only have to concentrate on their respective charges and lists/schedules of growth-related capital expenditure.
- 3.14 To assist with a transition, we further propose that matters regarding guidance on development contributions should immediately be transferred to Infrastructure Commission given the commission's expertise.
- 3.15 The commission should publish discount rates and review them periodically in the interests of enhancing transparency and providing guidance for councils and infrastructure providers that use a net present value approach to modelling development contributions/infrastructure-related charges.

Priority infrastructure as permitted activities

- 3.16 The consultation document discusses at some length delays consenting processes can cause for infrastructure delivery. The consenting process can render an infrastructure project unfeasible due to:
- a drawn-out consenting process that itself is very expensive
 - potential significant redesign which can make the project prohibitively expensive
 - the length of time taken to finalise the consenting process during which prices have increased, especially where property acquisition may be required to deliver a project.
- 3.17 There will be value in considering which class of infrastructure 'works' can be deemed permitted activities, particularly where a cost-benefit analysis that is reflective of the four wellbeings is favourable to the project going ahead. Such an approach may be handled adequately by a single central government agency dedicated to procurement and delivery of infrastructure projects.
- 3.18 Another alternative is a permanent fast-track consenting process for infrastructure projects that demonstrate a favourable benefit-to-cost ratio.

Local government depreciation

- 3.19 The Office of the Auditor General has consistently noted that while most councils' planned capital expenditure in long term plans is for asset replacement or renewal, the expenditure is usually less than the forecast depreciation charge for the 10-year period indicating that councils do not appear to be forecasting to adequately reinvest in their assets. This can result in the quality of councils' assets deteriorating and the cost of reinvestment to reinstate the service potential of existing assets potentially falling on future generations.
- 3.20 The strategy should thus set the platform for capturing and reporting the depreciation gap, that is, how infrastructure assets are faring in terms of depreciation funds accumulated to renew/replace them.

- 3.21 Aotearoa New Zealand Infrastructure Strategy 2050 needs to also require councils to clearly document that development contributions collected for growth-related infrastructure are ring-fenced and not necessarily used for asset renewal/replacement purposes. Currently, development contributions usually go into one “pot” with all other funds.

4. Māori partnership at the spatial/strategic level

- 4.1 Infrastructure New Zealand is encouraged by the consultation document’s discussion on issues regarding collaboration with Māori in the process of planning, designing and delivering infrastructure.
- 4.2 We submit that success will only be possible if there is a genuine partnership approach with Māori instead of Māori being considered another stakeholder.
- 4.3 Time, labour and entrepreneurship are vital inputs into the production process. The current approach to collaboration with Māori at every level:
- ties up resources and can inhibit full Māori participation and leadership across sectors such as the infrastructure system
 - dilutes the importance of the spatial framework/strategic policy which then requires Māori to engage at every policy level.
- 4.4 Māori partnership is most required at the spatial and/or strategic level so that the same level of engagement – which is often time consuming and resource-heavy – is not necessarily required when matters regarding say, operational policy are being determined. Engagement at this stage would ideally consider whether the proposed operational policy is consistent with the spatial framework/strategic policy intentions, and which are meant to set the direction for all consequent policies.

Part 2: Response to specific questions

Question	Substance of question	Infrastructure New Zealand response
1	Feedback on vision of Aotearoa New Zealand Infrastructure Strategy 2050 – Infrastructure lays the foundation for the people, places and businesses of Aotearoa New Zealand to thrive for generations.	<ul style="list-style-type: none"> ▪ Support ▪ Could potentially be widened to the below to reflect the four wellbeings: <i>Infrastructure enhances wellbeing through laying the foundation for the people, places and businesses of Aotearoa New Zealand to thrive for generations</i>
4	Feedback on the 'Building a Better Future' Action Area and the Needs	<ul style="list-style-type: none"> ▪ Support ▪ Our cities and regions need to become more competitive with each other ▪ There is a need for Auckland to compete with its peers (e.g. Brisbane, Sydney and Vancouver) ▪ The other major New Zealand cities, including Wellington and Christchurch, should become more competitive as domestic New Zealand cities, with attention to the overall cost imposed on businesses and workers ▪ Auckland remains New Zealand's engine of growth with its contribution to the country's gross domestic product being consistently higher than that of all of South Island combined ▪ Enabling infrastructure that is conducive to wealth generation needs to be a priority
18	Feedback on the 'Enabling Competitive Cities and Regions' Action Area and the Needs	
24	Feedback on the 'Creating a Better System' Action Area and the Needs	
2	Quality of decision-making principles	<ul style="list-style-type: none"> ▪ Need for clarity on how these principles will be adopted and by whom, e.g. whether this would extend to local government ▪ Need to ensure the principles are given effect to, instead of decision-makers only having regard for these principles ▪ As decision-making principles, there is perhaps a need to also include: <ul style="list-style-type: none"> (i) Te Tiriti O Waitangi (ii) climate change (iii) intergenerational benefits

		(iv) net positive benefits as key principles
3	Missed issues, challenges or opportunities not included in report	<ul style="list-style-type: none"> ▪ Function over form and avoiding unnecessarily gold-plating infrastructure ▪ A higher level of emphasis is needed on intergenerational net benefits – if net benefits outweigh costs and where this is public buy-in, an infrastructure project should continue and must not be held up (e.g. by the consenting process) even where the natural environment will be altered, e.g. dredging or land reclamation works ▪ Little mention of potential co-operation with Australia, including co-ordination of major decisions, and on skills and workforce ▪ No mention of the role of the Construction Accord as a means to improve productivity in construction including infrastructure ▪ Further emphasis needed on growth opportunities from climate change technology
5	Encouraging low-carbon transport journeys, e.g. public transport, walking, cycling, electric bikes and micro-mobility devices	<ul style="list-style-type: none"> ▪ Consider the net benefits of free public transport ▪ Improve connectivity between public transport, e.g. bus transfers and bus-train transfers ▪ Introduce new park-and-ride facilities that remain free of charge ▪ Avoid artificially making public transport or other modes appear to be better options by making private vehicle travel prohibitively expensive ▪ Central government should move to a vehicle fleet (owned and leased) that is 100% electric ▪ The way we plan and deliver new developments has long-term impacts; unfortunately, most greenfield developments currently create private vehicle dependency from the outset and public transport and/or other transport modes come as an after-thought
6	How else can we use infrastructure to reduce waste to landfill?	<ul style="list-style-type: none"> ▪ A better understanding of why so much waste is created and which sectors create the most waste ▪ Education and work directly with higher polluting industries/sectors ▪ A circular economy approach coupled with incentives and rewards for waste reduction – e.g. tax rebates – may be beneficial

		<ul style="list-style-type: none"> ▪ Increasing the waste levy could likely have unintended consequences, e.g. increased levels of illegal dumping because the amount of waste being produced does not necessarily decrease especially there is little incentive to do so other than a levy viewed as a punitive tax ▪ The consultation document mentions imposing waste-disposal charges that reflect the true cost of disposal to landfill in the context of getting the price right - costs can increase as a result of outsourcing functions to the private sector which operate to make a profit; options to make efficiency gains should therefore also be explored in tandem with seeking to recover true costs
7	Infrastructure issues for inclusion in a national energy strategy	<ul style="list-style-type: none"> ▪ Approach to pricing ▪ What energy sources that we want to see more of and what energy sources we want to see less of ▪ What infrastructure will be needed to achieve that ▪ What can be done in terms of import-substitution in the short-term term
8	Notion of renewable energy zones	<ul style="list-style-type: none"> ▪ Agree and support ▪ Infrastructure-related activities in these zones should be considered permitted activities where the benefit to cost ratio is more than 2:1
13	How should communities facing population decline change the way they provide and manage infrastructure services?	
14	Merits of a national population strategy	<ul style="list-style-type: none"> ▪ Need to first ascertain purpose, objectives and remit ▪ If a population strategy will primarily focus on immigration, then New Zealand already has an immigration programme ▪ There is value in a strategy (that includes an implementation plan) that will result in population increase in districts and regions experiencing/projected to experience population decline ▪ There is value in ensuring the Skilled Migrant Category and the Essential Skills streams of the immigration programme are closely aligned with skills in demand – this requires a regular audit of the list of skilled occupations to ensure it remains fit for purpose and reflects local labour market conditions

		<ul style="list-style-type: none"> ▪ Workforce sourced from overseas must complement and not compete with the local labour market, e.g. a labour market check may indicate there is no shortage of, say, junior accountants with some years of experience so applying a ‘broad-brush’ approach and considering it a skilled occupation may result in suboptimal outcomes; in such instances, a work to residence followed by a residence from work scheme – which is already available – over the Skilled Migrant Category would be more appropriate as it will result in organisations seeking highly skilled workers from overseas who will be remunerated accordingly (which a good number of accredited employers are doing already)
19	Areas other than Auckland where congestion pricing/road tolling would be appropriate	<ul style="list-style-type: none"> ▪ In considering pricing/demand management schemes, it is important to understand demand elasticity
20	Addressing potential equity impacts of congestion pricing	<ul style="list-style-type: none"> ▪ Not everyone can afford to live close to where they work ▪ Not everyone has adequate access to alternative modes (e.g. public transport) ▪ Not everyone currently has access to adequate and rapid/frequent public transport services/infrastructure, e.g. at capacity park and ride facilities ▪ For lower income households living further away from work, congestion pricing can have financial implications given private vehicle use may have characteristics of inelastic demand, i.e. these households are unable to switch to another mode easily or avoid travelling during peak times ▪ In considering pricing/demand management schemes, it is therefore important to: <ul style="list-style-type: none"> • understand commuters’ travel needs and patterns, e.g. why is it that an individual is not able to find comparable employment within a walkable catchment • ensure prerequisite infrastructure is in place before a pricing scheme is introduced ▪ distance-based charges will result in inequitable outcomes so alternatives such as an access charge should be considered instead

		<ul style="list-style-type: none"> See Infrastructure New Zealand’s submission to the Transport and Infrastructure Committee on its inquiry into congestion pricing in Auckland at
21	Designations rollover	<ul style="list-style-type: none"> Support extending the duration of designations to 10 years and allow designations to be granted based on concept (as opposed to significantly detailed) plans Support a rollover of designations beyond the initial 10 years if project benefits continue to outweigh costs – a rollover may thus be subject to a revised cost-benefit analysis An automatic 30 year duration of designations at the outset would not be efficient Designations place significant responsibility on getting future infrastructure needs right and designations should thus not be misused
22	Establishing a multi-modal corridor protection fund	<ul style="list-style-type: none"> Not opposed but the question of who funds needs to be explored as current local government expenditure and rates levels are already too high
25	Does New Zealand have the right institutional settings for the provision of infrastructure?	<ul style="list-style-type: none"> The current system can be made to work better with better integration, coordination and partnerships The potential of having centralised asset management, and infrastructure procurement and delivery functions could enhance outcomes
28	Better use of existing funding and financing tools by local and central government for infrastructure delivery	<ul style="list-style-type: none"> Recover a portion of DCs at the outset and then recovering the rest via targeted rates approach over several decades. This would then allow the real DCs levels to be collected. Support Crown being required to pay rates Kāinga Ora should also pay development contributions where its developments – including for social housing – results in the need for a council to provide growth-related infrastructure Tertiary education institutions such as universities should pay rates Consider the merits of a differential rate as a surrogate of a congestion charge levied on commercial properties on grounds....done by the Greater Wellington Regional Council

29	Suitability of existing infrastructure funding and financing tools for responding to infrastructure provision challenges	<ul style="list-style-type: none"> ▪ Support the option to require the Crown to pay rates to councils for land it owns (and currently exempt) where it generates a demand for infrastructure ▪ Further recommend that universities should also pay rates to councils for land they own (and currently exempt) where they generate a demand for infrastructure ▪ Need to immediately prioritise how value-capture mechanisms can be implemented so that councils can start using/implementing them ▪ Full recovery of development contributions must take place and the incidence of ratepayer subsidisation of growth needs to decrease – to lower the impact of significantly higher development contributions, a two-phased payment system should be implemented: <ul style="list-style-type: none"> (i) a portion of the development contributions is paid by the developer (ii) the remainder of the balance is paid by the homeowner/building owner over several years that works similar to a targeted rate (lowers the impact of having to pay a high sum upfront, even when interest costs are capitalised) ▪ The practice by some infrastructure owners and providers to run assets to failure needs to be reconsidered and assessed in terms of risk, especially where bulk – as opposed to local catchment – infrastructure is concerned
30	Local government funding depreciation as part of maintaining balanced budgets on a forecast basis	<ul style="list-style-type: none"> ▪ Yes, in principle ▪ Could potentially require central government to central Govt to partly underwrite local government balance sheets for depreciation purposes, especially where ‘asset depreciation accounts’ are already in deficit ▪ Guidance will be required, including where councils allow certain assets to be run to failure, and how to depreciate assets that may be replaced before or after their book life based on risk ▪ Guidance will also need to include a focus on ‘building back better’, instead of a ‘replacing like for like’ approach

31	Options to better manage and utilise existing infrastructure assets	<ul style="list-style-type: none"> ▪ Better asset management practices are needed – better understanding the performance and risk profile of assets is key, which can be supported by better understanding asset condition ▪ This, in turn, will only be achieved through better asset data ▪ Timely maintenance schedules instead of sweating assets
32	Centralising central government asset management functions	<ul style="list-style-type: none"> ▪ Support ▪ Will improve efficiency, transparency and cost savings
33	Improving infrastructure procurement and delivery	<ul style="list-style-type: none"> ▪ Support one central government agency procuring and delivering infrastructure projects ▪ Will improve efficiency, transparency and cost savings ▪ A lot of procuring and delivery functions are already outsourced by individual agencies to the private sector given most do not have the required expertise inhouse ▪ Consideration also needs to be given to a national infrastructure technical specifications
34	Infrastructure procurement and delivery by one central government agency	
36	What components of the infrastructure system could have been improved to deliver effective stimulus spending during the Covid-19 pandemic?	<ul style="list-style-type: none"> ▪ The COVID-19 Recovery (Fast-track Consenting) Act 2020 is welcomed but is not as efficient – vis-à-vis decision-making on individual proposals – as needed ▪ Widening the number of infrastructure-related activities that are considered permitted activities ▪ A pre-existing list of priority projects the nation needs with favourable benefit-cost ratios

Part 3: Conclusion

5. Final remarks

- 5.1 Infrastructure is a means to improving cultural, economic, environmental and social wellbeing. The Aotearoa New Zealand Infrastructure Strategy 2050 presents an important opportunity to improve wellbeing by laying the platform for the ability of infrastructure to meet community expectations over the long-term.
- 5.2 Infrastructure New Zealand thanks Infrastructure Commission for the opportunity to make a submission on its consultation document.
- 5.3 We are also grateful to the commission for engaging directly with our members across New Zealand and giving them the opportunity to directly engage with the commission on its consultation document.
- 5.4 We anticipate significant work will be required in finalising a draft infrastructure strategy. Infrastructure New Zealand would welcome the opportunity to engage further with the commission in finalising the draft strategy.

22 June 2021

