

29 June 2021

Tēnā koutou

Submission on Infrastructure for a Better Future Aotearoa New Zealand He Tūāpapa ki te Ora
Wellington City Council (WCC) thanks the New Zealand Infrastructure Commission Te Waihanga for the opportunity to make a submission on this consultation document. The Commission has posed a wide range of questions which the Council has responded to, noting that not all questions fall within the Council's areas of interest.

The overall vision that "infrastructure lays the foundation for the people, places and businesses of Aotearoa New Zealand to thrive for generations" is appropriate. It recognises the importance of infrastructure underpinning the wellbeing of the community.

The outcome of this consultation is important as there are many initiatives in the document that could be scaled to frame the work and priorities of the outcome of the Council's own strategic asset management review.

We note the gradual shift in local government from asset-based organisations to an expectation of well-being focused organisations, means the funding mechanisms for infrastructure needs to adapt.

We strongly support the focus on meeting the challenge of reducing emissions and responding to the impacts of climate change. WCC declared an ecological and climate emergency in June 2019 placing climate action front and centre of our decision-making. We believe that action needs to be taken now if we are to act on climate change. Future generations will live with the physical impacts of climate change and we strongly encourage the Commission to support policy and funding changes that accelerate decarbonisation within the next decade.

There are a number of key points that the Council would like to raise:

- The vision statement and objectives should reference Te Tiriti o Waitangi and the opportunity to partner with tangata whenua
- We consider that there is a need for a State agency to be established to coordinate, fund and install low carbon energy power generation and infrastructure
- At a funding level the government needs to consider how this is allocated so that more funding is directed to active transport infrastructure, particularly for those local authorities who have reached their debt limits.

It is noted that the consultation document appears to be focused primarily with water, waste, transport, and energy infrastructure and does not deal with community, social and recreational infrastructure where many of the same issues exist. Similarly, the resilience challenges from earthquake natural hazards needs to be clearly addressed. The Council, residents and business owners are facing the challenges of

earthquake strengthening. The issues of how these projects are funded, new funding tools and more affordable strengthening methods are needed.

The Council also acknowledges the Taituarā submission on behalf of the sector which is more detailed in its feedback. It notes that more clarity is required in the final strategy as there are areas of duplication and some gaps in the information sought in this consultation document.

Responses to the questions posed in the consultation draft are provided in the attached.

Yours sincerely



Wellington City Council

Wellington City Council Submission

1. What are your views on the proposed 2050 infrastructure vision for New Zealand?

Vision - Infrastructure lays the foundation for the people, places and businesses of Aotearoa New Zealand to thrive for generations.

The Council strongly supports this as an aspirational vision, particularly the incorporation of climate change and equity. The real issues will be in the planning, funding and delivery to achieve this.

The vision statement and objectives should include a reference to Te Tiriti o Waitangi and opportunities to partner with tangata whenua.

2. What are your views on the decision-making principles we've chosen? Are there others that should be included?

Outcomes: Efficient: Equitable: Affordable

Decision-making principles: Future-focused, Transparent, Focused on options, Integrated, Evidence-based

The Council supports these decision-making principles. The Commission needs to ensure that the funding mechanisms are appropriate to support the principles. For local government, intergenerational equity is achieved by capital borrowings over the life of an asset. Ring fencing depreciation payments, within the asset class that generates it, provides transparency.

Equitable provision of an amenity/asset or level of service is very difficult to provide across territorial authority boundaries due to the independence of the various decision-making processes.

3. Are there any other infrastructure issues, challenges or opportunities that we should consider?

The issues of affordability and funding mechanisms needs to be considered. If there is an expectation that local government moves from asset-based organisations to well-being focused organisations, the funding mechanisms for infrastructure need to adapt. The current rates (property tax) based system was/is appropriate to provide the assets that service a property. Whether these mechanisms remain appropriate if the focus changes need to be considered.

The matter of equity in these funding mechanisms also needs to be considered. The Council would consider that people understand their tax dollars should be spent to provide equitable outcomes across New Zealand but may not agree that rates funding should be spent outside of their local Council boundaries. With any regionalisation of infrastructure spend this question of equity may need to be considered.

There are some specific challenges where positive environmental and amenity projects do not cover their costs. For instance, roading projects are largely self-funding (from targeted

taxation (FED and RUC)) However other projects such as cycleways have many positive social, amenity and environmental benefits, but do not have dedicated funding mechanisms. One option would be the development of a “total impact tool” that can help put dollar values onto the positive offsets and benefits.

In the challenges noted in the document (p29) the Council suggests amending “Avoiding unnecessary congestion in urban areas” to something like “moving people and freight more efficiently in urban areas” or “making it easier for people and freight to access urban areas”. Congestion (usually assumed to be car congestion) itself is not necessarily a problem. A city could move people and freight very efficiently, reliably and affordably by other modes but still have peak hour car congestion. By defining the problem as ‘congestion’ we risk pre-emptively defining the solution as ‘making it faster/easier to drive a car/truck through the city’.

Also, the Council suggests changing “Adapting to and mitigating the effects of climate change” (p29) to “transition to a net zero emission economy” and “adapting to the effects of climate change”. These are two related, but quite different, challenges so should be separated out. There is a risk that the current wording will only be interpreted as viewing adaptation as a challenge. Transitioning to Net Zero emissions is obviously important for our international competitiveness, long-term wellbeing and minimising long-run costs.

The issues of climate adaptation and how to address this consistently across the country is vital to be addressed in this strategy. Consideration should be given to making the MfE Guidance on Planning for Coastal Impacts mandatory. In many cases Local Authority assets provide protection to private property (a coastal road or park). When it is no longer viable to maintain those assets and Councils stop doing so, there is likely to be community concern and expectation of compensation or assistance.

Where there are private benefits arising from climate adaptation processes or mechanisms, the commission should consider mechanisms that allow cost-sharing between central/local government and private property owners.

4. For the ‘Building a Better Future’ Action Area and the Needs:

- **What do you agree with?**
- **What do you disagree with?**
- **Are there any gaps?**

The Council agrees with this action area.

We do recommend that the following action area P12 2:0 *Enabling Competitive Cities and Regions* should be amended to include the needs of businesses located in these areas alongside the needs of people.

On p12 3:1 the strategy raises the point of *Integrating infrastructure institutions* to create better service delivery. It must be clear that this is to better deliver on the outcomes and vision of the strategy. P13 sets out many of the options that are being considered already.

On P12 3.2 Ensure equitable funding and financing. The Council recommends that this needs to include sufficient funding to meet the identified priorities as there are significant infrastructure and funding gaps to close.

On P12 3:7 Reduce costs and improve consenting. The Council recommends that these are largely distinct and should therefore be separated, so that it is clear that improving consenting is not only about reducing costs. Local Authorities have a specific obligation to represent their communities views an “improvement” at a local level may not be seen the same way at a regional or national level.

5. How could we better encourage low-carbon transport journeys, such as public transport, walking, cycling, and the use of electric vehicles including electric bikes and micro-mobility devices?

On P34 Issues, Transport – The Council recommends adding a significant infrastructure gap around safe cycling/micro-mobility infrastructure in cities and towns.

In addition, at a funding level the government needs to consider how this is allocated so that more funding is directed to active transport infrastructure, particularly for those local authorities who have reached their debt limits.

6. How else can we use infrastructure to reduce waste to landfill?

We think that waste minimisation is as much about behaviour change and procurement as infrastructure.

While we would welcome investment in onshore reprocessing of materials, funded by the waste minimisation fund, we think this needs to be complemented with a change in behaviour. That change needs to support better design to minimise waste at the top of the pipe, rather than post-consumer.

We think it is important that infrastructure isn't designed simply to enable us to behave in way we do now. Making it easy and convenient to dispose waste just hides the problem – we aspire to a low-waste future, not a high-waste-but-low-waste to landfill future.

We also need to complement infrastructure with a taxation regime that encourages the right behaviour.

7. What infrastructure issues could be included in the scope of a national energy strategy?

The Commission should consider the role of alternative transport fuels (e.g., biofuels and hydrogen) would be useful, given the limitations of battery electric technology for heavy vehicles.

Demand side issue in the built environment should also be considered. The Council supports the Climate Commission’s recommendation to introduce mandatory measures to improve the operational energy performance of commercial and public buildings.

In the short term we recommend the mandatory disclosure of energy performance of public and commercial buildings to create visibility of the buildings energy performance, enable

building owners to be supported to make improvements, and provide tenants with an understanding of the true cost of leasing a building.

Likewise, we support the Commission's proposal that a date should be set after which no new natural gas connections are permitted, and where feasible, all new or replacement heating systems installed are electric or bioenergy.

The Council recommends that this time frame should be relatively quickly and with possibly earlier timeframes for public buildings. This will impact for building owners and will need strong and clear guidance from central government. This should also consider support for building owners to transition away from natural gas prior to end-of-life replacement.

The National Policy Statement on Renewal Energy Generation also needs to be updated and strengthened to reflect the targets of the Climate Commission.

8. Is there a role for renewable energy zones in achieving New Zealand's 2050 net-zero carbon emissions target?

The concept is not explained in enough detail in the consultation document for us to comment.

12. How can we achieve greater adoption of building information modelling (BIM) by the building industry?

The real value in BIM is not at the design stage but the operation of the building/facility. At the design stage the cost gains are absorbed by the increased design cost.

Incorporating BIM into ongoing asset management provides significant long term "free benefits" provided the data is maintained and not allowed to erode as the cost of catch up can be significant.

13. How should communities facing population decline change the way they provide and manage infrastructure services?

The Council recommends that the funding principles on equity should address this issue. This might provide different priorities for different asset classes. Some asset provision might be considered as a "human right" e.g. water and wastewater and therefore funded in an equitable manner, others may not be considered to the same extent. WCC would observe that ratepayers do not support their rates being spent outside the collection boundary, there is a fundamental public policy consideration here ensuring that taxation has representation.

Large centralised systems are not always appropriate for small communities. A more effective and resilient outcome can be achieved by creating diversified infrastructure rather than centralised. In some cases, returning to rainwater and septic tank might be more affordable than continuing to provide a central service. Innovative ideas like trickle feed water (not at mains pressure) or a central water service, but local septic for waste disposal needs to be considered.

Communities might then expect a different funding mechanism if they bear the costs more directly by owning individual or local solutions. Funding mechanisms to cover initial capital cost could be explored

14. Does New Zealand need a Population Strategy that sets out a preferred population growth path, to reduce demand uncertainty and improve infrastructure planning?

The concept of population projections and capacity for an area might be considered in the same way that the government has set nitrogen and other limits for the agricultural sector. Development of a Total Environmental Impact tool would be helpful, to truly understand the costs and benefits of density vs sprawl, City vs Provincial etc. This might provide a pathway for structured infrastructure planning.

15. What steps can be taken to improve collaboration with Māori through the process of planning, designing and delivering infrastructure?

The Council recommends that the infrastructure framework sets clear expectations for engagement with Māori and early in the planning and design of infrastructure processes. New Zealand needs to embrace Māori holistic approaches that recognise the total impact over the long term, and work together to deliver new projects and restore past projects.

16. What steps could be taken to unlock greater infrastructure investment by Māori?

Māori investment can be long term and holistic, often with positive long term environmental or social benefits, but it must generate a return so that capital bases are not eroded.

The strategy should include the Commission working with Māori to investigate investment structures to facilitate Māori investment and participation. Avenues worth exploring include the preferential tax rate applicable to many Māori organisations and charities and how the same might offer a competitive investment advantage. Partnering with such organisations could be attractive to international and domestic investors due to the improved collective rates of return a lower average tax rate facilitates. Participation in the construction phase should not be overlooked.

17. What actions should be taken to increase the participation and leadership of Māori across the infrastructure system?

The Council recommends that the government invests in building the capacity of Māori to deliver quality advice and leadership in this system. Advice and expertise must be paid/compensated for (like other professional advisors).

The system must avoid third party run Māori engagement/consultation processes and expecting iwi volunteers to contribute advice for free.

18. For the 'Enabling Competitive Cities and Regions' Action Area and the Needs:

- **What do you agree with?**
- **What disagree with?**

- **Are there any gaps?**

In terms of 'C2. Coordinate delivery of housing and infrastructure', it would make sense to require more efficient use of street space (bus priority measures and connected walking and cycling networks) in areas/corridors targeted in the National Policy Statement Urban Development to enable housing development.

Without coordinated improvements in bus services and cycle networks alongside housing developments, there is a risk that the National Policy Statement Urban Development induces greater car traffic and on street car storage. The NPS-UD's mandatory removal of minimum car parking standards will have impact on areas where growth/intensification occurs – coordinated investment in public transport and active modes is crucial alongside this.

19. What cities or other areas might be appropriate for some form of congestion pricing and/or road tolling?

Road pricing should be framed as a tool that can achieve objectives other than just "relieving congestion". For example, road pricing designed to improve the overall productivity of the transport system might be designed differently from one simply aiming to make driving more reliable/faster. Likewise, pricing aimed at reducing transport emissions, again might be different (e.g., including charges or restrictions on entering low/no emission zones).

Road pricing should be made available to be used in all urban centres to support mode shift, reduce emissions and improve the reliability of drive times. Meeting national emissions targets will require a reduction in private vehicle trips and significant mode shift to low carbon transport within a timeframe of years rather than decades. There is insufficient time to rely exclusively on electric vehicles incentives, or the construction of new infrastructure, to decarbonise transport. Road pricing has the potential to support a faster shift away from motor vehicle trips to low carbon transport modes where capacity can be expanded quickly, such as buses, cycling, micro-mobility and car share.

20. What is the best way to address potential equity impacts arising from congestion pricing?

The Council has recommended in the Congestion Question report that equity could be achieved by providing target discounts on charges or by having daily caps on charges. The Council also suggests consideration be given to utilising pricing revenue to discount alternative modes like public transport to mitigate any inequities.

The scale of impacts and the ability of the affected parties to pay or change behaviours need to be considered and whether transfer payments may be appropriate.

P83 – C3.1 states "Progress the implementation of a congestion pricing scheme for Wellington following the Let's Get Wellington Moving programme business case."

We support this initiative.

21. Is a 10-year lapse period for infrastructure corridor designations long enough? Is there a case for extending it to 30 years consistent with spatial planning?

The Council recommends that much longer-term designations are necessary to ensure future corridors are protected. The conversations about completing the Wellington urban motorway, establishing a cross valley link (in Lower Hutt) and more recently establishing better east west connections between SH1 and SH2 have been going on for many decades already, with no firm decisions currently on the radar.

If funding of property purchase is the major hurdle, then the 'multi-modal corridor protection fund', or the 'corridor reservation fund' (C4.3) could address this.

22. Should a multi-modal corridor protection fund be established? If so, what should the fund cover?

Clarity about the name and the purpose of the fund is needed. A fund could cover the following: Indicative design, evaluation and planning/protection work; advance property purchase for when current owners want to cash out; and management of the resultant property portfolio.

25. Does New Zealand have the right institutional settings for the provision of infrastructure?

As stated earlier in this submission, the reform of local government is seeing a shift from asset based (infrastructure provision) to a wellbeing focus. This may change the investment framework for infrastructure and institutional changes may be needed to better meet the outcomes sought in this strategy. In its spatial and land use planning function local government is required to represent the views of the constituents of their catchment, those views are not always efficient or appropriate at a larger scale, or across boundaries.

26. How can local and central government better coordinate themselves to manage, plan and implement infrastructure?

This should be a key factor to be considered in any conversation on local government review.

The establishment of a State agency to coordinate, fund and install low carbon energy power generation and infrastructure should be considered. Successive New Zealand Governments have a proud record of major infrastructure investment at times when the private sector has been reluctant to invest. Whether it be Vogel's railways, our hydro-electric power stations and even the Maui and Kapuni gas fields, the Government has stepped up to make the investments needed to fill the gap left by the private sector. We think the massive investment needed in renewable generation and grid expansion, along with other less mature technologies, lends itself towards a State agency to develop the skill sets needed to coordinate and manage investment. Such investment will result in attractive low carbon infrastructure that will eventually be attractive to the private sector as carbon prices rise.

27. What principles could be used to guide how infrastructure providers are structured, governed and regulated?

From a local government perspective, the four wellbeing's would seem to be appropriate. This would provide a consistency in approach across the sector as a whole. However as noted above a property tax (rates) based revenue stream is not considered appropriate for a wellbeing approach.

28. What steps could local and central government take to make better use of existing funding and financing tools to enable the delivery of infrastructure?

Local and Central government can borrow at attractive rates and a coordinated cross-government approach should be taken to ensure that funding is available to meet long term infrastructure plans. Current plans are limited by the debt ceilings of individual Councils or funding mechanisms which are specific to particular infrastructure types or agencies.

Councils, as users of infrastructure, are able to enter into long term take or pay offtake contracts that will guarantee a return to private sector investors. For example, a new wind farm could be underpinned by a collaboration of Wellington territorial authorities and other major electricity users agreeing to purchase power from a new wind farm developed by a private sector generator over a period of sufficient years to repay the cost of capital and make an appropriate return.

29. Are existing infrastructure funding and financing arrangements suitable for responding to infrastructure provision challenges? If not, what options could be considered?

The existing arrangements are not adequate for the size of the issue the country is facing. Relying on rates & borrowing is not optimal when Councils are addressing significant infrastructure deficits as well as provide capacity for future growth. Certainty is needed to enable take up of alternative funding measures by councils given the scale and risk profile of many of these projects.

P106 S2.3 states "Develop a pathway and transition plan for shifting all vehicles onto time, distance, and level-of-service-based pricing, improving transport pricing and the required governance arrangements needed to support this. Include a consideration of the merit of differential pricing for commercial and non-commercial traffic. This recommendation would need to be considered alongside recommendation C3.1, which relates to congestion pricing for urban areas." While the Council supports this in principle it again needs to be considered within the financial constraints that Councils are operating within.

30. Should local authorities be required to fund depreciation as part of maintaining balanced budgets on a forecast basis?

Yes, and the depreciation should be ring fenced to the asset class it comes from. This needs to be in conjunction with an appropriate asset revaluation process to keep pace with inflation.

31. What options are there to better manage and utilise existing infrastructure assets?

Greater use of BIM and asset condition rather than age-based asset management. This can both extend and reduce asset life but does provide a focus on criticality, in some cases letting an asset fail then repair/replace is a valid strategy for low criticality assets.

32. Are there benefits in centralising central government asset management functions? If so, which areas and organisations should this apply to?

There may be benefits in setting common policies and macro accounting rules as an important first step. This could include setting depreciation policies, debt funding approaches, and agreed revaluation approaches.

34. Do you see merit in having a central government agency procure and deliver infrastructure projects? If so, which types of projects should it cover?

This approach is likely to be determined by the project with some more suited to this. The experience in some aspects of Waka Kotahi have been very positive, but examples of cost blow overruns like Transmission Gully cannot be overlooked. However, historically where this has been done by infrastructure departments has been variable.

35. What could be done to improve the productivity of the construction sector and reduce the cost of delivering infrastructure?

There are benefits from a centralised design office so that as a country we do not continue investing in bespoke designs for many investments. There are also long-term gains from excellence in design standards.

36. What components of the infrastructure system could have been improved to deliver effective stimulus spending during the Covid-19 pandemic

There needed to be a joint approach to prioritisation that sequenced the projects as every agency wants to prioritise their project.