Infrastructure New Zealand

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Infrastructure New Zealand Submission on Infrastructure Funding and Financing Amendment Bill

Introduction

1. Infrastructure New Zealand (INZ) welcomes the opportunity to make a submission on the Infrastructure (Funding and Financing) Amendment Bill 2025).
2. INZ is Aotearoa New Zealand's peak membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through advocacy, policy, research and public and private sector collaboration. Our membership is comprised of around 150 organisations, including government agencies, consultants, contractors, financiers, utilities, and academics. These organisations employ approximately 150,000 people in infrastructure-related roles and are united in their commitment to creating a better New Zealand through outstanding infrastructure.
3. This represents the views of INZ as a collective whole and may not necessarily represent the views of individual member organisations. We have encouraged members to provide their own submissions to raise issues specific to their expertise and areas of interest.

Key points

4. Aotearoa New Zealand faces a significant infrastructure deficit, driven by population growth, historic underinvestment and increasing pressure on existing assets. While new funding and financing tools have been introduced in recent years, including the Infrastructure Funding and Financing Act 2020 (IFF), these tools have not been widely used in practice. INZ has previously highlighted the need to simplify processes and improve accessibility.
5. Our members have indicated that limited uptake of IFF has been driven by high transaction costs, uncertainty, complex implementation arrangements and misaligned incentives across the system. We acknowledge that the proposed changes seek to address some of these issues and move the IFF regime closer to being a practical, mainstream infrastructure funding tool.
6. While INZ supports the intent of the IFF Amendment Bill, we consider that legislative changes must be supplemented with further efforts to improve system implementation.

Detailed consideration

Broadening the scope of eligible infrastructure is appropriate, but some gaps remain

7. INZ supports the broader scope of eligible infrastructure under the Amendment Bill, including the ability for a wider range of infrastructure and delivery entities to use the regime. This is consistent with the objective of making the IFF framework a more flexible, system-level funding tool.
8. However, waste management infrastructure remains excluded from the regime. This includes landfills, resource recovery facilities, and recycling infrastructure, which are core growth-enabling services with long asset lives and significant capital requirements. INZ considers these assets are well suited to levy-funded financing models and should be explicitly included as eligible infrastructure under the Act.
9. **INZ recommends broadening the definition of eligible infrastructure to include waste management assets.**

Standardisation and usability improvements are needed to support wider uptake

10. Feedback has noted that the current IFF regime is too complex and administratively burdensome for many projects. The need for bespoke negotiations, levy proposals, SPV constitutions, beneficiary and cost allocation arrangements and financial modelling have deterred otherwise viable proposals.
11. **INZ agrees with recommendations made by the Property Council New Zealand, which call for a statutory obligation for the Ministry of Housing and Urban Development to publish a suite of standardised, tiered IFF templates.** INZ supports this direction as a practical way to reduce complexity and make the regime more accessible.

Legislative changes must be supported by clearer guidelines and system coordination

Improving accessibility and market confidence

12. Industry feedback indicates that the IFF regime has been difficult to access in practice. The process has been described as inflexible and difficult for smaller or mid-sized applicants to progress to the proposal stage. For example, issues raised include general discouragement from using IFF for projects below certain size thresholds, and confusion relating to key features of the regime (e.g. repayment settings). These issues have contributed to limited uptake from both developers and councils.
13. **INZ recommends clearer guidance on the types of projects suitable for IFF, supported by regular public reporting on uptake. This should include detail relating to the number, value and type of projects entering and progressing through the system, and their outcomes.** Greater transparency around performance and uptake can help build confidence in the tool and support more consistent use across the system.

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Making IFF a practical tool for greenfield developments

14. The IFF regime was intended to operate as a practical funding and financing tool to support urban development. However, experience to date suggests it has not been used as originally envisaged. While the regime has supported two large infrastructure programmes, it has had no uptake from developer-led greenfield projects – which were a central use case for the framework.

15. One reason for this is that the regime does not fully reflect the different risk profiles associated with different types of projects. Greenfield levy structures typically rely on a single development or a small number of stages, making revenue highly sensitive to sales pace, market cycles, and development sequencing. This creates concentrated risk that can be difficult for private lenders to price.

16. **INZ recommends that the IFF regime be strengthened to better support greenfield development, including through targeted co-funding or underwriting where infrastructure aligns with identified regional spatial planning priorities.**

Positioning as a mainstream funding tool

17. Feedback from members indicates persistent misaligned incentives and perceptions. Developers often view IFF levies as an expensive mortgage rather than as a mechanism that frees up capital and improves project feasibility. Councils, in turn, can see themselves as debt collectors on behalf of developers. Both parties frequently have limited familiarity with debt capital markets and financing structures, which reduces confidence in the tool and means development contributions can appear cheaper in the short term, even when they do not fully recover the long-term cost of growth infrastructure.

18. **INZ recommends a proactive communications and education approach to the IFF regime, including targeted engagement with councils, developers, and industry to explain how the tool works in practice and to dispel common misconceptions.**

Conclusion

19. INZ supports the direction of the Amendment Bill and the intent to make the IFF regime more accessible and usable. However, experience since 2020 shows that the core challenge is not the absence of funding tools, but the difficulty of activating them in practice.

20. Legislative streamlining is an important step, but improved incentives, clearer institutional roles, standardised processes, and better system coordination will ultimately determine whether IFF becomes a widely used growth-enabling tool.

21. INZ appreciates the opportunity to make this submission and is available to provide further information if requested.