

Infrastructure New Zealand Position Paper: **Better Use of Current Tools**



Current problem

New Zealand has a significant infrastructure deficit

Underinvestment in our crucial infrastructure is one of New Zealand's greatest long-term economic challenges. Aotearoa is spending around 5.5 per cent of New Zealand's GDP on building public infrastructure. To meet our current infrastructure deficit of \$210 billion, this would need to increase to nearly 10 per cent of GDP or \$31b annually.

Our current approach to funding and financing is not working

Current investment in infrastructure is only just beginning to address the results of historic underinvestment and is not moving the needle on the level of investment needed to deliver the infrastructure that we deserve.

Local government in particular is responsible for about half of all infrastructure spend. However, many councils are unable to borrow more money to finance the infrastructure they need to keep up with population growth, large asset renewals or service quality upgrades. In particular our cities have faced significant growth pressures over the last decade and have struggled to respond.

Part of the problem is that we are not good at using the tools we already have

The problem is well recognised and over the last few years we have seen new tools introduced, such as special purpose vehicles through:

- The **Infrastructure Funding and Financing Act** which enable special purpose vehicles to fund infrastructure projects that support housing and urban development.
- **Specified development** projects through the Urban Development Act which bring together multiple (and otherwise separate) processes required for urban development and enables them to be accessed through a single, integrated process.

However, we have not seen these tools being used and significant scope existing for their use. After being introduced in the middle of 2020, it was only late last year that the first Infrastructure Funding and Financing project was confirmed for Tauranga towards thirteen transport projects across the region.

We are yet to see any specified development projects confirmed, although Kāinga Ora are currently assessing two projects – Western Corridor in Tauranga and the Northern Growth Area. However, it has been over 6 months since these have been selected for assessment.

Infrastructure New Zealand's Position

Aotearoa needs sustainable funding and financing of infrastructure

In order to move towards a sustainable pipeline of projects, we need a sustainable way to fund and finance. A bit part of this better leveraging and using the tools we currently have.

Over the last few years we have seen enabling legislation being established and the funding and financing tools being enabled. We need to now use them. The Infrastructure Commission's strategy also recommended that central government needs to investigate opportunities to utilise the Infrastructure Funding and Financing Act 2020 and explore other Special Purpose Vehicles as a mechanism for new infrastructure investments.

Being in place for over two years, and only one project in the pipeline, it highlights the need to review these tools and simplify the processes for using them. We also need to see better support for councils considering their application and navigation of the steps is also required. Enabling greater accessibility and useability of current tools will be critical to improved infrastructure development.

Further, there is a need to look closely at Kāinga Ora's role in enabling urban development projects through the Urban Development Act. Kāinga Ora have a significant role to play in partnering with private developers to bring forward complex projects.

We need to tackle bigger issues if we want these tools used more

More fundamentally, we need to acknowledge the misalignment of incentives. As we have outlined in our 2019 report 'Building Regions', for councils the cost of growth for communities is prioritised over investment in infrastructure to meet that growth.



Image: Milldale Development, Auckland. Crown Infrastructure Partners

Key Recommendations

- Central government should invest in helping users navigate new tools such as the Funding and Financing Act 2020 and the Urban Development Act 2020.
- Central government needs to review the use of legislative tools (such as the Funding and Financing Act 2020 and the Urban Development Act 2020), the application processes to ensure they are fit for purpose and the role of Kāinga Ora.