Infrastructure
New Zealand
Election 2023
Priorities
The incoming Government must accelerate infrastructure investment and set a bold vision for the country

On behalf of the wider infrastructure sector and ahead of the 2023 General Election, we have put together a set of key priorities that will help New Zealand achieve world class social and economic performance. Our hope is that the incoming Government – no matter its stripes – takes this document seriously as the infrastructure sector’s call to action. We intend to revisit these recommendations following the Government’s first 100 days in office, to ascertain what has been achieved and assess whether new directions have been set.

New Zealand’s future will require greater investment in infrastructure to meet growth and climate change pressures. We must also address historic underinvestment in infrastructure maintenance and renewals. To meet these challenges, we need to fundamentally rethink the way planning and funding functions across local and central government are organised.

We know from a recent Infrastructure New Zealand/Curia poll, that 70% of New Zealanders think that we haven’t invested enough in infrastructure. From focus groups discussions, we further identified the key areas where government investment is needed. These were housing and transport – particularly roading. It’s time to coordinate across infrastructure priorities to ensure that the full benefits of investment are realised.

A step change is needed in the way New Zealand thinks about and invests in its infrastructure.

External partnerships need to be at the forefront of the incoming Government’s approach to successfully unlock New Zealand’s potential. The improved use of private capital and associated increase in delivery capacity and expertise must come alongside new and innovative ways of partnering with local government, Iwi and the wider infrastructure sector.

Doing so will require a mindset shift. System change is needed to drive better decision making and coordination. An openness to private capital will need to come alongside to supercharge our ability to build for growth and vitally improve our approach to maintaining and better utilising the assets we have.

Infrastructure New Zealand is Aotearoa’s peak membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy and public and private sector collaboration. We also promote public and media discussion on topical issues of infrastructure. Our members come from diverse sectors across New Zealand and include infrastructure owners, service providers, investors and operators.

These priorities will form the basis of our agenda for the next parliamentary term and beyond.
Five actions for the Government’s first 100 days

1. **System Change**
   Begin consolidation of regional councils and territorial authorities into new regional entities with long term city deals as a first step towards rebalancing the power between Local and Central Government on infrastructure delivery and growth.

2. **Climate Resilience**
   Start development of infrastructure resilience plans for all sectors and establish funding for these, including private funding opportunities.

3. **New and better utilisation of tools**
   Uptake of existing funding mechanisms on specific projects in the first 100 days of office. Review current tools that need refinement to be effective in the current climate, including the Infrastructure Funding and Financing Act and Urban Development Act to improve usability.

4. **Improve use of external sources of capital to fund infrastructure**
   Commit to the engagement of private sector funders and financiers as partners at all levels of Government to speed up project delivery and deliver more value to New Zealanders, faster.

5. **Workforce**
   Commit funding to establish a major project leadership academy to improve project governance and lift capability.
It’s time for system change to drive momentum in the sector

**Recommendations**

1.1 Begin consolidation of regional councils and territorial authorities into new regional entities with long term city or regional deals as a first step towards rebalancing local and central government power.

1.2 Establish a framework and complete successful city and regional deals between central government, local government, Iwi, and the private sector as funders, deliverers and partners on major infrastructure builds for all parts of New Zealand.

1.3 Action a fast-track consent process that will enable major projects to be planned and built on accelerated timeframes.

1.4 Agree on the Terms of Reference for a review of and recommendations for a refreshed large project consenting framework.

1.5 Progress implementation of water reform by establishing the entities and funding mechanisms that provide for sustainable ongoing investment in the modern and safe water infrastructure our communities need.

Balanced partnership needs to be at the heart of system change to supercharge the sector. At present, weak central government commitment and insufficient funding of local government are the key barriers to effective implementation of plans in the current system. The incoming Government must build on the Review into the Future for Local Government’s recommendations and agree to local government reform that provides for significant structural change which promotes a local voice.

Local government reform should consolidate regional councils and territorial authorities into new regions defined by logical social, economic environment and cultural boundaries. Planning, funding, and governance functions must be integrated to deliver value to the public.

At the regional level, development strategies would identify the long-term outcomes for the new defined regions and map out the future sequencing of development by decade on 10, 20-and 30-year horizons. A 10-year spatial plan would give effect to the strategy by regulating land use and sequencing investment in infrastructure for the next decade. A three to four-year budget cycle would commit funding for development and provide investor certainty, while new and increased funding would be provided to regions and communities by way of a share of the economic uplift resulting from effective delivery of the spatial strategies. Within towns and communities, community councils would plan, fund, and deliver local placemaking and amenities to reflect the needs and aspirations of communities.

To enable this, the incoming Government would need to enact legislative change. We envisage a simplified system comprised by a dedicated Environment Act to set limits, standards and policies for protection of the environment and national heritage; and a Development Act to consolidate local government into regional entities with new funding powers, tasked with the delivery of regional development plans to deliver improved social, environmental and economic outcomes across New Zealand.

City and regional deals, if implemented effectively, could act as a bridging measure to drive local-central government partnership and devolve responsibility to regions. Long term funding certainty and earn-back mechanisms could pave the way for broader reform. The deals or place-based agreements would bring together central and local government, Iwi, and the private sector as partners, funders, and deliverers on major infrastructure are a fantastic opportunity to provide certainty of long-term funding and planning, but the right building blocks must be in place first. A national plan for cities, and a staged approach to negotiations based on local government capacity and capability should be prioritised in the first instance.

Change is badly needed in the water sector and shying away from difficult conversations on implementation won’t provide confidence to the sector or the public. The incoming Government needs to establish water services entities and funding mechanisms that provide for the sustainable funding of the modern and safe water infrastructure our communities need.

Despite the controversy surrounding the reform programme, the major parties have points of agreement. In line with a broader reset of regional responsibilities, we hope the broad regional structure of the reform programme as enacted will remain. Off-council balance sheet borrowing, and established economies of scale benefits achieved by the entity structure should be retained. These are significant long-term assets and they need to be
funded as such. The role of private capital should also be seriously considered. If any change to the entities model is introduced, we encourage the incoming Government to consider the benefits of shared services models, in line with the Review into the Future for Local Government’s recommendations.

We also know that New Zealand’s current consenting system isn’t working. Action on a fast-track consent process that enables major projects to be planned and built in the required timeframes is needed, and the Government should agree on the Terms of Reference for a review and recommendations for a refreshed large project consenting framework in its first 100 days.

We expect that any incoming Government would either carry forward or make minor amendments to significant infrastructure reforms including legislation passed by the House supporting the affordable water and resource management reform programmes. Any amendment to the resource management system should be made in line with the regionalised structure but with simplified legislation – acknowledging the current fragmentation across statutes including the Local Government and Land Transport Acts as well as climate change response legislation. Both reforms represent much needed progress and rolling back gains on regional structure, as well as the improved ability to raise capital for infrastructure would inhibit progress.
The Government must drive a mindset shift and improve pipeline certainty for Aotearoa New Zealand

Recommendations

2.1 Communicate a clear vision and strategy for New Zealand’s future infrastructure needs and investment pipeline.

2.2 Accelerate and communicate a clear and credible pipeline of infrastructure projects to provide confidence and certainty to the entire sector and the New Zealand public.

2.3 Integrate central government’s infrastructure advisory and funding functions into a single independent entity to provide coordination and system leadership.

In recent years, we have seen some progress towards greater certainty and longer-term planning in the sector, but independent advice has lost traction with ministers. New Zealand’s infrastructure system needs strong, independent advice that is coordinated with the funding and financing functions currently housed with Crown Infrastructure Partners. A single agency could take a system leadership role.

We know that random politicised infrastructure projects, where project decisions and directions turn on the whim of politicians, creates uncertainty for the sector and hampers its ability to gear up and deliver. A recently commissioned Infrastructure New Zealand report outlines that a more certain pipeline could enable $2.3 and $4.7b more a year on average being delivered, over the period 2025-31. These are not benefits we can afford to miss out on in the context of a substantial infrastructure deficit. Te Waihanga’s Infrastructure Priority List will go some way towards prioritising the pipeline. This work needs to be accelerated by an agency with the mandate to facilitate funding and financing of prioritised projects. A compelling vision for New Zealand’s infrastructure is needed – one which commits to long-term planning, informed by independent advice, data, and evidence, that provides greater certainty to both the New Zealand public the wider sector. We recommend that central government’s infrastructure advisory and funding functions are integrated into a single independent entity to provide coordination and system leadership.
The private sector has a central role to play

**Recommendations**

3.1 Commit to the engagement of private sector funders and financiers as partners to Government in infrastructure projects.

3.2 Establish a set of streamlined infrastructure capital funds to ensure a strategic approach is taken to central government’s capital infrastructure spend. These capital funds should be administered by one central agency.

3.3 Review current tools, including the Infrastructure Funding and Financing Act and Urban Development Act to improve usability.

3.4 Introduce legislation to progress congestion charging in Auckland and that enables Local and Central Government to use road pricing as a tool more generally.

Partnership must be at the forefront of the incoming Government’s approach to infrastructure. The infrastructure deficit was estimated in 2019 to be $210 billion. The intervening years have brought substantial cost escalation, and the impacts of climate related weather events that have added to the figure significantly.

The Government can’t fund this alone – incoming leadership needs to commit to engaging private sector partners to deliver large projects. Alongside an improved approach to private capital, existing government-led funding and financing arrangements require improvement. There is an opportunity to streamline existing capital funds to develop a strategic approach to government investment, review current tools – including the Infrastructure Funding and Financing Act (2020) and introduce new and improved revenue tools like congestion charging / road use pricing, tourist levies, GST rebates that can address funding shortfalls and improve the attractiveness of infrastructure financing opportunities.

Greater use of private capital enables more infrastructure projects to be funded, constructed, and completed earlier, adding more immediate benefits to New Zealand. The greatest cost to New Zealand remains the cost of not building vital projects that improve social and climate progress and our productivity and economic performance. Rapid funding, construction and delivery of more projects can only occur by effectively using parties external to Government through wise use of available tools and sector expertise.
The incoming Government should partner with local councils to deliver significant projects across the country

Recommendations

4.1 Commit to funding, including use of private capital, and a clear delivery structure to guarantee an integrated mass rapid transit network in Auckland, including commencement of the second Waitematā harbour crossing by 2026.

4.2 Introduce legislation and establish a delivery vehicle as necessary to commence work on a package of transport and urban infrastructure in Wellington, including for tunnel duplication and trenching of an expanded state highway network to the airport.

4.3 Negotiate regional deals to fund and plan for regional projects with long term certainty, greater power-balancing and an integration of planning and funding functions.

Our metropolitan areas provide the biggest opportunities for decarbonisation through mode shift in transport. Improvements to Wellington’s urban transport and infrastructure and Auckland’s mass rapid transit network – including integration via a second Waitematā harbour crossing are badly needed, but current plans lack funding commitment. Legislation needs to be introduced in the first 100 days of the incoming Government’s term to fund and commence work in Wellington, including for tunnel duplication and the trenching of an expanded state highway network to the airport. Auckland Light Rail also requires funding certainty and the build of the second harbour crossing should commence by 2026. The incoming administration must seriously engage with the private sector to agree on the way forward to involving private capital in these major projects.

There is also an opportunity to provide certainty and improved resilience outcomes across our growth regions. Regional deal arrangements should include projects to meet this need. In the Waikato, a regional deal could partner central government with councils on the construction of the Southern Links and completion of Cambridge to Piarere expressway. In Tauranga, special legislation to approve the Port of Tauranga’s berth extension would enable a partnered approach to delivering much needed port capacity. Commitment to deliver the State Highway 29 network connections and the SH29 bypass would enable planned development around Tauriko, Western Bay of Plenty.

In the South Island, a regional deal that included the co-funding of a second Ashburton bridge would improve connectivity and resilience along key freight routes. In the North Island, the Government should also accelerate the Coromandel, Taumarunui and Hawke’s Bay’s recovery from Cyclone Gabrielle by reviewing options for a regional deal between central and local governments in the area. The long-term partnership arrangements focus on creating economic growth by giving local government power and resources to deliver projects in their region and are most successful when they involve the private sector (and private capital) from the start.
Meeting the climate change challenge

**Recommendations**

5.1 Develop infrastructure resilience plans for all sector plans and established funding for these, including private funding opportunities.

5.2 Continue work on regulatory settings to manage New Zealand’s energy security, including progressing work on offshore renewables.

5.3 Government should progress climate adaption legislation as soon as possible to provide clarity and certainty, and enable communities to address the complex issues associated with managed retreat.

5.4 Establish a new central government organisation to oversee climate event recovery and response to ensure there is sufficient funding available.

The impact of climate change is exacerbating New Zealand’s existing vulnerabilities. Planning and building new infrastructure must now be done with climate resilience and sustainable development front of mind. New Zealand also needs to take a proactive risk management approach to our existing infrastructure networks and facilities by assessing the risk of climate-related flooding, slips, erosion, and coastal inundation. Based on these assessments, sector plans need to be developed (where they do not already exist) and a long-term funding plan to build more resilience into our infrastructure needs to start now. Opportunities to leverage private funding and financing options should be provided for too - this challenge is too big for the government to undertake by itself.

To enable communities to address the complex issues associated with climate change and managed retreat, we urgently need the climate adaptation legislation to provide the foundations for us to change our planning policies to match today’s challenges. A framework to address the inevitable funding question is a key component of this. There also needs to be clear accountability and oversight by government to assist with future recoveries and rebuilds, particularly given the ongoing nature of climate-related events and the geographic spread of these. The systems established to facilitate, and fund, recovery efforts as well as the lessons learnt need to be harnessed to ensure they contribute to future recovery efforts. A new central government organisation should be established to facilitate this and to leverage the opportunities that exist to build back better. The incoming Government should progress climate adaption legislation as soon as possible and ensuring that established funding is available to address resilience needs – including through private sector involvement.

The current Government’s ‘policy bonfire’ earlier this year created significant uncertainty. Further instability and a lack of committed funding to meet the pressing need to decarbonise and build climate resilient infrastructure will hinder any hope of progress. Critical monitoring and reporting of the ERP’s implementation progress need to be considered as part of the development of the second ERP and ERP actions need to be fully funded and prioritised as we head into the critical second emissions budget period. A combination of mitigation and adaptation approaches is needed to address our climate change challenges.

The future of New Zealand’s energy security relies on a well-balanced and consistent regulatory approach. Getting this right early in the transition will be critical to its success. Work is underway by the current Government, including on the offshore wind market. We expect this reality to be considered seriously in the Government’s first 100 days, and for work underway to be largely progressed.
Growing capability and nurturing a more inclusive industry makes economic sense

Recommendations

6.1 Commit funding to establish a major project leadership academy, drawing on Te Waihanga’s recommendation.

6.2 Commit to ongoing support of infrastructure skills centres and industry led diversity initiatives across the sector.

Skills shortages have been a pressing issue over the last few years across the New Zealand economy – especially in infrastructure and construction. Immigration numbers have improved, but there are ongoing challenges in competing for global talent. There is substantial opportunity to address shortfalls by leveraging increased diversity in recruitment and retention across the sector, and space to drive best practice in the sector by growing onshore expertise.

Less than 3% of construction tradespeople are women in New Zealand. Leveraging the opportunity to build greater inclusivity and improve conditions for greater diversity across the sector isn’t only the right thing to do, it presents significant opportunity to address skills pressures in key industries. The sector has a range of industry-led initiatives, including the piloted infrastructure skills centres which Government and industry partnered to deliver which would benefit from long term committed funding.

In its 30-year Infrastructure Strategy - Rautaki Hanganga o Aotearoa, Te Waihanga / the New Zealand Infrastructure Commission has recommended that a New Zealand Major Projects Leadership Academy is established based on proven international approaches and that completion is made a requirement for project leaders. New Zealand’s major projects need to employ best practice and make the most of constrained resources. To drive a step change in major project management in New Zealand – alongside bringing in overseas expertise, INZ recommends that a leadership academy here, modelled on successful international experience, would benefit New Zealand’s major project delivery environment.
Government must improve as a client of infrastructure services, and lead on improvements to procurement and business case processes.

Recommendations

7.1 Review assessment processes, including Treasury’s better business case approach and Waka Kotahi’s business case process to ensure New Zealand is utilising international best practice for project development and decision making.

7.2 Review government procurement practices and introduce changes which streamline approvals, reduce inefficiencies, and incentivise the use of technological innovation including improved data provision and digitisation.

Both central and local government are large infrastructure procurers. Both could leverage and lift sector capability and productivity by improving their own decision making and procurement practices.

At present, central government business case practices are often inefficient and achieve sub-optimal outcomes because they tend to favour status quo or gradual improvement due to the discounting of longer-term benefits and the lack of attention to non-quantifiable benefits like climate resilience or city shaping. We need to improve the way we make decisions on projects to enable us to better consider benefits and costs against the outcomes we are seeking and make informed decisions about the types of projects that are important for our future. Treasury’s better business case approach and Waka Kotahi’s business case process should be reviewed to ensure they remain fit for purpose and are in line with international best practice.

There is also an opportunity for improved procurement practices to lift the capability of the industry by changing procurement rules to require data provision back to Government – the client – on infrastructure projects, with a view towards developing an enabling environment to support digital twin and underground asset mapping capabilities. Improved procurement practices will need to be met with significant capability uplift within government and collaboration across the industry.
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