

INFRASTRUCTURE FOR THE FUTURE



Infrastructure for the Future

High quality infrastructure drives economic growth, boosts productivity and enhances our way of life. Delivering infrastructure for the future will be at the heart of the next National government.

National knows how to deliver world-class infrastructure. The last National government rolled out Ultra-Fast Broadband on time and under budget, giving New Zealand world class broadband services.

National's Roads of National Significance like the Waikato Expressway, the Christchurch Motorway Projects, the Kapiti Expressway and the Tauranga Eastern Link dramatically improved safety, reduced travel times and boosted economic growth around country.

National built the Waterview Tunnel in Auckland, completing the Western Ring Route to allow drivers to bypass the city centre, taking pressure of State Highway 1 and the Auckland Harbour Bridge and delivering faster journeys to the airport.

National also electrified the Auckland rail network, expanded the Wellington commuter rail network, and started the City Rail Link.

Labour's woeful economic mismanagement extends to infrastructure. One of the first acts of the new Labour government in 2018 was to slash the state highway budget, destroying a pipeline of worthy projects, and causing chaos for councils, communities, and industry.

Labour has focused on expensive and unnecessary projects like light rail in Auckland and Wellington while neglecting basics like road maintenance. Today, the roads are littered with potholes and not a single metre of light rail has been built. After six years, Labour has done little more than cut ribbons on projects commissioned, consented and funded by National.

National's Infrastructure for the Future Plan:

- 1. A National Infrastructure Agency to coordinate government funding, connect domestic and offshore investors with New Zealand infrastructure, and improve funding, procurement and delivery.**
- 2. Innovative funding and financing tools to boost investment in infrastructure, and create investment opportunities for ACC, the NZ Super Fund and KiwiSaver funds.**
- 3. National, City and Regional Deals to partner with local Government to create long-term pipelines of regional projects.**
- 4. A fast-track consents process to make it easier to build the infrastructure New Zealand needs for the future.**
- 5. A 30-year infrastructure pipeline to deliver long-term certainty, enable more effective planning, and reduce project costs.**

New Zealand's infrastructure challenges

Despite the hard work of the previous National government, New Zealand has a large historical infrastructure deficit. This deficit is directly responsible for severely unaffordable housing, costly congestion, and poor-quality water infrastructure in many parts of the country.

New Zealand faces major challenges in the planning, funding, consenting, delivery and maintenance of infrastructure. National is determined to fix these longstanding problems once and for all to unleash economic growth, lift incomes, and build resilience.

1. New Zealand underfunds key infrastructure.

This country does not allow certain infrastructure to earn enough revenue to cover the costs of maintenance and capital requirements over time. Moreover, revenue streams are not always secured to the asset and can be raided for other spending. Inadequate and uncertain revenue streams limit the ability to finance new investments.

2. New Zealand does not make sufficient use of private sector funding and expertise to build infrastructure.

Closing the infrastructure deficit requires a more mature approach that accepts a greater role for private sector participation in infrastructure, which is common in other advanced developed countries. Existing private infrastructure (telecommunications and energy, for example) perform well. Private capital also brings expertise, efficiencies and innovation.

3. New Zealand takes a short-term approach, reducing certainty and raising costs

Infrastructure investment is by definition long-term but central government's processes are designed for the short-term. For example, the National Land Transport Plan, which guides NZTA investment in every region, is recreated every three years. The government's purchasing intentions in social housing are likewise on three year cycles. This creates uncertainty for councils, other stakeholders and investors about funding priorities.

4. It is difficult, time-consuming and expensive to get permission to build infrastructure

Resource consents are a nightmare, especially for complex infrastructure projects, resulting in long delays and unnecessary costs. Consent times have increased by 150 per cent over a five year period. Costs have increased by 70 per cent over the last seven years. New Zealand infrastructure developers are spending \$1.29 billion annually to consent their projects.¹

5. Public infrastructure investment is fragmented and uncoordinated

Public infrastructure funds are scattered across government, including the Infrastructure Acceleration Fund, the Provincial Growth Fund, the Tourism Infrastructure Fund, the NZ Upgrade Programme, and many more. Funding criteria, reporting, governance, and accountability differ across funds. Some funds are contestable, others are not. As the Infrastructure Commission has noted, sharing expertise in project evaluation and delivery across multiple agencies makes it hard for infrastructure providers to discern priorities.

¹Infrastructure Commission (2021), "New study reveals ballooning cost of resource consents," [link](#)

6. There is no genuine partnership between local and central government

Local and central government can work together, for example the Local Government Funding Agency. But in too many areas, the relationship between local and central government is broken mainly due to the gap between what central government wants and what councils can afford. Councils rightly point out that they bear the costs of central government direction (e.g. new housing requirements) but capture few benefits from growth.

Central government rules strictly limit councils' revenue mechanisms, and many councils worry about too much debt on their balance sheets. The result is paralysis, with central and local government often at loggerheads. Councils should face incentives to "go for growth" by welcoming new housing investment in their areas.

7. New Zealand has a major workforce shortage

New Zealand is in a global war for talent for construction workers and experts in infrastructure planning, delivery and maintenance. Forecasts suggest New Zealand will have a shortfall of approximately 118,000 construction workers in 2024.² Construction labour productivity has lagged behind the overall economy for decades, making it difficult to attract workers.³

²Infrastructure Commission (2022), "New Zealand Infrastructure Strategy," p9, [link](#)

³Infrastructure Commission (2022), "Construction productivity shows room for growth," [link](#)

Infrastructure for the Future

National's Infrastructure for the Future policy will drive a step change in the way New Zealand delivers infrastructure. Our goal is higher productivity and growth, to lift incomes and living standards for all Kiwis.

1. National Infrastructure Agency

National will establish a National Infrastructure Agency by expanding Crown Infrastructure Partners to:

- Coordinate central government infrastructure funding
- Connect domestic and offshore savings with infrastructure investment
- Improve funding, procurement and delivery of infrastructure.

The new National Infrastructure Agency will be made up of infrastructure funding and financing experts, as well as economic and legal experts. It will take an inter-generational, long-term approach to infrastructure funding and investment in New Zealand.

The National Infrastructure Agency will be formed by substantially expanding the mandate and powers of Crown Infrastructure Partners (CIP). CIP is a high-performing Crown agency with proven expertise in infrastructure projects. National believes it could do more.

Coordinate central government infrastructure funding

Central government capital expenditure on infrastructure is currently unfocused and uncoordinated. Labour has created a variety of infrastructure-related capital funds such as the Infrastructure Acceleration Fund, the Provincial Growth Fund, the Tourism Infrastructure Fund, the NZ Upgrade Programme, and many more, but the criteria for each differs, as do the accountability, governance and reporting structures.

Some Crown infrastructure funds are short-term, and some are long-term. Some involve loans; others do not. Some are contestable; some are not. Private sector expertise is not utilised to the extent it could and should be, and expertise in project evaluation and delivery is spread across multiple different agencies.

The Infrastructure Commission has said:⁴

Fewer consolidated funds in the future would result in better prioritisation and coordination of programmes at the national level.... Reducing the number of funds would make it easier to apply consistent, rigorous and transparent criteria and ensure that project evaluation and selection is done by professional management and governance boards. Greater consolidation can also increase competition, improve the predictability and stability of funds, take advantage of economies of scale and build a capability to deliver best value for money. It may provide opportunities to improve access to financing by using a combination of grants, loans and investments (including domestic and international) to increase financing options.

⁴ Infrastructure Commission (2022), "New Zealand Infrastructure Strategy," p129, [link](#)

The National Infrastructure Agency will provide proper oversight and governance of uncoordinated Crown funds.

It will also require transparent, high-quality cost-benefit and ROI analysis for each investment decision.

Connect domestic and offshore investors with New Zealand infrastructure

The National Infrastructure Agency will be the gateway for domestic and offshore institutional investors to build New Zealand infrastructure.

The National Infrastructure Agency will:

- Provide opportunities for institutional investors – including ACC, the NZ Super Fund, and KiwiSaver funds – to invest in long term infrastructure assets.
- Independently assess infrastructure proposals prior to funding.

Improve funding, procurement and delivery of infrastructure

The National Infrastructure Agency will be directed to solve longstanding infrastructure problems in New Zealand, such as:

- Fixing then administering the Infrastructure Funding and Financing Act 2020 to support widespread use at scale.
- Supporting councils to access innovative funding and financing solutions as they implement National's "Local Water Done Well" policy for water infrastructure.
- Looking at securing corridors for investment to reduce costs.

In addition, the National Infrastructure Agency will:

- Be a centre of expertise for procurement, focusing on complex projects.
- Provide advice and expertise to the Crown on new financing models for infrastructure, including public-private partnerships, tolls, and value capture instruments.
- Ensure the Crown receives value for money from its infrastructure finance structures.
- Develop a portfolio approach to managing infrastructure debt and associated risks, in association with the Treasury.

2. Innovative Funding and Financing Tools

In comparison to other countries, New Zealand has been slow to adopt innovative funding and financing tools for new infrastructure investments. The next National government will utilise funding tools widely used overseas to drive increased investment in infrastructure.

Public-Private Partnerships (PPPs)

There are currently eight PPPs planned or underway in New Zealand, and as the Infrastructure Commission has pointed out, the five PPP projects currently operational in New Zealand have generally been delivered on-time and on-budget for the Crown.⁶ PPPs involve long-term contracts for construction of new infrastructure with private funding, while the Crown retains ownership. Project costs are spread over a longer period. National will task the National Infrastructure Agency with exploring the potential for PPPs in the delivery of new infrastructure projects.

Value Capture Charging

National believes that those who benefit from publicly-funded infrastructure should help contribute to the cost of it. New state highways, for example, that unlock new greenfield land for housing create economic benefits for private landowners when new housing becomes economic. The same is true of major public transport projects like the City Rail Link and busways.

National will task the National Infrastructure Agency with exploring the potential for PPPs in the delivery of new infrastructure projects.

Role of ACC, NZ Super Fund and KiwiSaver Funds

Infrastructure investments are ideal for New Zealand's larger public and private investment vehicles. The National Infrastructure Agency will provide a gateway for ACC, NZ Super, KiwiSaver and other funds, including from offshore, to access long-term infrastructure investments that benefit taxpayers. Among other benefits, this will help KiwiSaver funds to diversify their portfolios.

⁶ Infrastructure Commission (2022), "New Zealand Infrastructure Strategy."

3. National City and Regional Deals

Addressing New Zealand's infrastructure deficit cannot be done by central government alone. Local government has an important role to play. But, too often, councils are an after-thought for central government.

National will fundamentally reshape the relationship between central government and local government through long-term partnership agreements called City and Regional Deals. These models have proven successful overseas, including in the United Kingdom and Australia.

Each City and Regional Deal will be bespoke, but will share common features including:

- Shared strategic objectives, developed in partnership and reflecting the particular local characteristics of each city and region.
- Long-term funding commitments by both central and local government to enable certainty of planning.
- A portfolio approach encompassing road, rail, public transport, housing (including public housing), and environmental resilience investments.
- Ongoing monitoring and auditing, milestone agreements, and regular engagement at senior Ministerial and local government leadership level.

Negotiations for City and Regional Deals will begin shortly after the election, with councils and regions urged to begin identifying priority projects immediately.

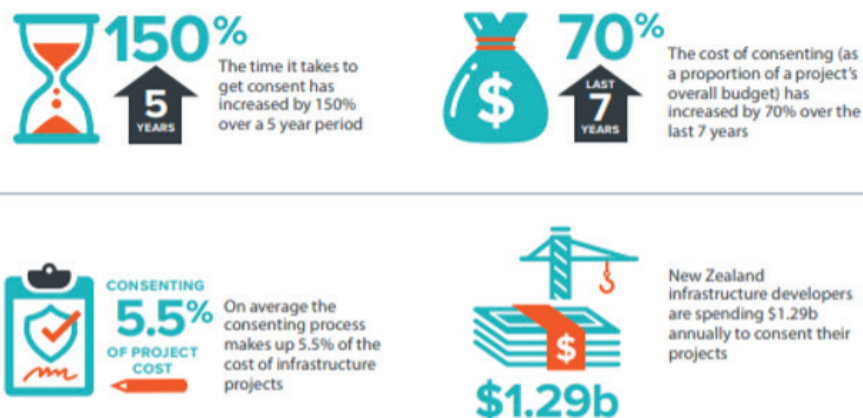
4. A new consenting framework for infrastructure investment

New Zealand’s planning system creates unnecessary and expensive delays for essential infrastructure projects. It needs urgent reform. The Infrastructure Commission has stated:⁶

New Zealand suffers from long delays between project planning and delivery. Many infrastructure projects must go through a resource consent or designation process. Resource consent applications typically require detailed analyses of the environmental, social, cultural and economic impacts of projects. They’re tested through a hearings process that has been described as adversarial, with the right to appeal decisions to the Environment Court or High Court. This process can take a long time and is costly for everyone involved.

The consenting process can add significant time and cost to projects

Figure 33: Key statistics on the time and cost impacts of infrastructure consenting processes



Source: Te Waihanga, data from Sapere (2021)

National will make two key changes to New Zealand’s planning system to reduce resource consent timeframes and costs:

- Introduce an infrastructure fast-track process modelled on the COVID fast-track process for quick processing of resource consents.
- Establish a class of projects known as Major Infrastructure Priorities (MIPs) which will require decisions within one year, if referred by the Minister for Infrastructure.

⁶ Infrastructure Commission (2022), “New Zealand Infrastructure Strategy,” p134, [link](#)

Infrastructure Fast-Track Process

As part of the pandemic response, the Government introduced a temporary process to fast-track resource consents. Under these emergency rules, an expert panel was able to issue resource consents for infrastructure projects which would otherwise have had to work their way through the lengthy and expensive RMA process. These rules are due to expire in July 2023.

National will build on these temporary rules to establish a permanent Infrastructure Fast-Track Process – a dedicated priority consents process for infrastructure including public transport, roads, rail, and water infrastructure.

The Infrastructure Fast-Track Process will retain the expert panel model and timeframes used during the pandemic. Referrals to the expert panel will be made by the Minister for Infrastructure and will be expected to be used for applications which have environmental effects that are relatively easy to identify and where conditions can be reasonably set to manage those effects.

Panels will only consider a limited set of issues that are directly relevant to the proposed infrastructure. For example, panels will not consider the commercial merits of projects, or effects on employment, productivity, or waste.

National will further streamline consenting rules by shifting to a standards-based regime for priority consents over time. Standards will cover all forms of infrastructure and set at a level that protects the environment.

Major Infrastructure Priorities

National will introduce a new class of projects for consenting purposes known as Major Infrastructure Priorities (MIPs). These will be for large, complex projects which under the current RMA would require public notification and public hearings.

National will legislate to give the Minister for Infrastructure the power to classify particular projects as Major Infrastructure Priorities, in certain circumstances.

Classification as a Major Infrastructure Priority will mean a decision on the project must be issued within one year.

Projects which could be Major Infrastructure Priorities will include state highways, public transport infrastructure, water infrastructure including treatment, electricity transmission, distribution and generation, telecommunications lines including mobile towers, gas pipelines including hydrogen, electric and hydrogen vehicle charging, and airports.

5. 30-year infrastructure plan and pipeline

Infrastructure plans and pipelines signal future investment intentions. This gives construction companies and other suppliers the certainty they need to invest in their operations and attract talent.

When Labour came to office in 2017, they inherited a well-signalled pipeline of infrastructure investment, particularly in transport, which industry was ready to deliver. Unfortunately, one of the first acts of the new Government was to gut the state highway budget, resulting in the cancellation of many projects around the country, and the destruction of the investment pipeline.

National will:

- Create a 30-year infrastructure plan for New Zealand covering all infrastructure sectors.

The plan will signal what's required for the future, both in terms of the better utilisation of existing assets, and new investment required. The plan will be broken down by city and region, reflecting our intention to develop City and Regional Deals. The plan will develop an infrastructure priority project list, similar to the list developed by Infrastructure Australia.⁷ This will also include projects where a problem has been identified and planning is underway, but no specific project is ready for funding yet.

The combination of a 30-year infrastructure plan, a priority project list, and City and Regional Deals, will create a genuine infrastructure pipeline. This will give industry confidence to invest in technology, equipment, and people, and drive efficiencies and cost reductions.

The Infrastructure Commission will be responsible for the 30-year infrastructure plan.

⁷ <https://www.infrastructureaustralia.gov.au/infrastructure-priority-list>

Other commitments

Asset management plans

Local government is required to publish long-term plans that set out investment intentions over a 10-year period, but the same is not true of central government agencies.

National will require government agencies to develop and publish capital investment plans for a minimum period of 10 years, as recommended by the Infrastructure Commission. We will also focus on commonality of standards in asset management, to support better use of data, documentation and mapping.

Reporting

The Government used to report regularly on major infrastructure projects and how they were tracking, but these were stopped by Labour in 2017.

National will require regular reporting of how major infrastructure projects are progressing, to monitor progress, and to make sure insights are shared across government. These reports will go directly to the Cabinet Committee considering Infrastructure and related matters.

National will also insist on independent post-completion reviews of major projects over \$100 million, including cost-benefit analysis before each project, to be conducted by the Infrastructure Commission.

National Underground Asset Register (NUAR)

National will investigate how central government can support the development of a National Underground Asset Register (NUAR) – a “single source of truth” as to what is under the ground. The aim is to have an accessible digital map of underground pipes and cables, on a secure, auditable and sustainable platform.

Standardised Development Contributions

Development contributions are fixed up-front payments by councils for new infrastructure. Council policies vary widely and concerns have been raised that development contributions could be used to limit growth. National will explore whether there is merit in standardising the methodology that local authorities can use when charging development contributions.

Cost benchmarking

Infrastructure costs too much and takes too long to build in this country. However, the specific causes of cost and delay for each type of infrastructure are not always clear. National will make the Infrastructure Commission responsible for benchmarking cost per metre and time per metre performance. Benchmarking will cover each stage of planning and construction for each type of infrastructure. The Commission will identify policy changes that will do the most to reduce infrastructure costs and timeframes. National will investigate establishing a dedicated fund to secure land corridors for future infrastructure.

Funding for Infrastructure for the Future

Infrastructure for the Future builds the toolkit needed to deliver high quality, timely, affordable infrastructure. This policy is mainly about the processes needed to accelerate infrastructure investment and deliver better value for money from spending.

Infrastructure for the Future extends the mandates of the Infrastructure Commission and Crown Infrastructure Partners to form the National Infrastructure Agency.

These costs will be funded from efficiency gains in administrative costs due to consolidating existing Crown infrastructure funds.