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Wellington

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Tēnā koutou katoa,

Waikato Regional Council Submission to Infrastructure for a Better Future Consultation Document

Thank you for the opportunity to submit on the Infrastructure for a Better Future Consultation Document. Please find attached the Waikato Regional Council's (the Council's) submission regarding these documents. The submission was formally endorsed by the Council's Submissions Subcommittee on 15 June 2021.

Should you have any queries regarding the content of this document please contact [redacted], Policy Advisor, Policy Implementation directly on [redacted] or by email [redacted]

Ngā mihi nui,

[redacted]

Acting Director Science and Strategy

Submission from Waikato Regional Council on the Infrastructure for a Better Future Consultation Document

Introduction

1. We appreciate the opportunity to make a submission on the He Tūāpapa ki te Ora Infrastructure for a Better Future Consultation Document (the proposed strategy).

2. The Council recognises the importance of a robust, sustainable, and long-term infrastructure plan for Aotearoa New Zealand. The Council supports a vision for infrastructure that includes the institutional arrangements that allow infrastructure to support all New Zealanders equally, appropriately provide for future generations and is guided by the principles of Te Tiriti o Waitangi.

3. The Council supports the overall infrastructure plan laid out in the consultation document. However, we note that the proposed strategy would benefit from having an increased focus on environmental outcomes. The proposed strategy could conflict with existing government direction on the balance between environment and development. For example, the National Policy Statement for Freshwater Management (NPS-FM) has a clear hierarchy that prioritises the wellbeing of water bodies and freshwater ecosystems. In the Waikato, Te Ture Whaimana o Te Awa o Waikato – the Vision and Strategy for the Waikato River is the primary direction-setting document for the Waikato River and its catchments. It prioritises a healthy Waikato River that sustains abundant life and prosperous communities who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato River, and all it embraces, for generations to come. The Vision and Strategy prevails over any national policy statement or New Zealand coastal policy statement.

4. The Waikato region is unique in its role as a strategic transport corridor for freight. Freight traveling between Waikato, Auckland and Bay of Plenty represents over half of New Zealand's freight movement, with freight moving to and from the Waikato projected to increase by more than 50 percent over the next 30 years. The Council believes it is important to recognise the vital role that these corridors and their protecting infrastructure serve.

5. We look forward to the future consultation process and welcome the opportunity to comment on any issues explored during their development.

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Discussion Questions

1. What are your views on the proposed 2050 infrastructure vision for New Zealand?
We are of the view that, consistent with te ao Maori, a healthy environment is critical to the wellbeing of all New Zealanders and that this holistic perspective should be better reflected.

We recommend making clear reference to 'green infrastructure' (e.g. restored wetlands and roadside raingardens that can be used to purify water, as well as minimise floods and erosion) in the definition of infrastructure in the consultation document. Although there is emphasis on using 'nature-based solutions' to provide traditional infrastructure services, green infrastructure should be emphasised in this process as it provides both ecological and economic benefits.

2. What are your views on the decision-making principles we've chosen? Are there others that should be included?
The Council supports the decision to make outcomes supported by the guiding principles of Te Tiriti o Waitangi with a scope of being future-focused, transparent, focused on options, integrated, and evidence-based. This allows for the accountability and flexibility needed to continue to improve Aotearoa New Zealand's infrastructure now and in the future.

3. Are there any other infrastructure issues, challenges or opportunities that we should consider?
As outlined in the report, infrastructure planning and implementation is currently very disjointed, both in terms of legislative functions and institutions. In particular, the integration of transport and land use planning remains problematic, as does the separation of public transport services and transport infrastructure provision between regional and territorial authorities (TAs). The RMA system reform, especially the proposed Spatial Planning Act (SPA) are expected to provide for clearer national direction and frameworks to undertake regional spatial planning.

This will require spatially explicit integrated modelling tools, such as the Waikato Integrated Scenario Explorer (WISE)[1]. It is essential that such models are aligned across regions and use consistent underpinning datasets for population, land use and local economy to develop and explore a range of projected futures. This will require central government investment and leadership to develop spatial planning tools and data.

The infrastructure regional councils most often manage, such as flood and drainage schemes are alluded to in portions of the document but not discussed specifically. Given its important role in enabling land use and transport connections across New Zealand, and because it requires a different management approach, it is appropriate to distinguish it from other forms of infrastructure.

We note a potential conflict between the Infrastructure Strategy and the concept of te Mana o te Wai in the Essential Freshwater package. Whereas the Infrastructure Strategy is people focused, the National Policy Statement for Freshwater Management (NPS-FM) gives primacy to the environment. A potential solution to this misalignment is through decision-making processes that consider all four community wellbeings and how well options align with te ao Māori. The Council is developing such an approach as part of our draft Sustainable Infrastructure Decision-making Framework and would welcome an opportunity to share our learnings with the Infrastructure Commission.

We also suggest that the proposed strategy should outline how the four wellbeings at the centre of the elements of the infrastructure system (as outlined in figure 10 – integrated infrastructure management

[1] WISE is a dynamic, spatially-explicit computer simulation model that integrates economic, demographic, environmental (climate, hydrology, water quality, biodiversity) and land use (suitability, accessibility, local influence, zoning) information to assess the effects and trade-offs of alternative future development scenarios or the consequences of policy options. The modular platform used to build WISE is transferable to other locations or regions. Similar models are currently developed for Auckland and Wellington. For more information visit: http://www.creatingfutures.org.nz/wise/what-is-wise/.

framework – of the proposed strategy) are to be assessed based on existing national policy direction that gives more primacy to environmental wellbeing.

Another challenge is the different levels of resilience of infrastructure assets to withstand natural events. Although the proposed strategy lists actions to define (F6.1) and identify (F6.2) critical national infrastructure, it does not go far enough to understand the current vulnerability of assets. We recommend further refining F6.2 to include the identification of vulnerability of individual assets to different natural events, instead of only focusing on the resilience of infrastructure network to shocks.

We further submit that the strategy needs to go beyond national critical infrastructure. There should be another action to understand the vulnerability and resilience of locally significant infrastructure, since the proposed strategy acknowledges the role of local government in the provision of infrastructure and notes councils face funding and financing challenges to ensure their infrastructure is able to deal with natural disasters. Infrastructure network resilience also depends on assets not deemed nationally critical, and therefore should be considered when looking at the system as a whole. We recommend adding the following action:

> F6.3 Identify local infrastructure
> Identify infrastructure assets that contribute to the resilience of the nationally critical infrastructure network. The identification process would cover the contributions of these assets to the resilience of the national network to shocks and their vulnerability to different natural events. This should include an identification of the benefit regional infrastructure provides for rail, road infrastructure and transport connections.

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?
We support the needs specified through the action areas of building a better future, enabling competitive cities and regions, and creating a better system. However, we note New Zealand currently has skill shortages in key areas, hindering growth. The infrastructure strategy needs to account for these shortages and include actions to fill the skill gap. This could be achieved through a range of strategies including via immigration and upskilling of the workforce and increasing and retaining a domestic workforce.

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?
Low carbon journeys can be encouraged by ensuring the infrastructure that supports walking and cycling is separated from other modes through protected cycleways in roadways to ensure the highest level of safety and perceived safety for users to overcome barriers to transition. This would also allow the most suitable vehicle type to use the right infrastructure; for instance, allowing e-scooters to use cycleways where safe and appropriate. In addition, ensuring new development is designed for inclusive access that provides easy walking and cycling connections that interface with public transport. Collaboration between neighbouring territorial authorities is instrumental in providing a region-wide approach to connected low carbon journeys.

As noted in response to Question 3 – the transition to a low-carbon transport will require the increasing use of 'transport as a service' and as an investment, including public transport services. This will require a higher level of alignment in the provision of transport infrastructure and transport services across TA boundaries and across regional councils and territorial authority functions than is possible under the current split of roles and responsibilities. Further, there should be direction from central government to facilitate region-wide approaches to provision of public transport and related infrastructure, particularly having the National Land Transport Programme (NLTP) reflect regional priorities as described in Regional Land Transport Plans (RLTPs). Alignment of the NLTP and RLTPs would allow RLTP priorities to be funded through the National Land Transport Fund.

A good example of promoting low-carbon journeys is the Clean Car Discount announced by government in support of getting New Zealanders into electric and low emission cars. Future expansion of the discount might be extended to include subsidy of e-bike, e-scooters and low-carbon micromobility options that would support greater mobility options, particularly in urban environments. Many people in urban environments are foregoing the purchase of vehicles and instead preferring electric powered micromobility options. These micromobility options could also be incentivised to further increase uptake.

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

Much of the discussion in the proposed strategy about waste focuses on centralisation as the best way to reduce waste from landfill. The Council considers that a balanced approach towards local, regional and national centralised solutions is the best way to use infrastructure to reduce waste and create better community outcomes.

The location of infrastructure also has a bearing on its ability to reduce waste and carbon emissions. For example, it may make sense for a small, rural territorial authority to have smaller, community-based composting solutions where the population is low or dispersed and transport distance/cost are higher. For example, Xtreme Zero Waste in Raglan provides kerbside organics pick up to approximately 2000 houses in the Whāingaroa catchment and processes food scraps at a local hot composting unit. This creates jobs in the community to accompany the required infrastructure while selling the composted food scrap back to the community for home gardens.

More dense urban populations may lend themselves to bulking and transport to a centralised facility. For example, Hamilton's kerbside food scraps collection serves approximately 60,000 properties and is sent to Hampton Downs for processing. We can use infrastructure to reduce waste to landfill by being strategic in our choice to implement local or more centralised options where appropriate.

The proposed strategy should also consider having accessible, centralised environmental hubs to collect waste that is unable to be included in kerbside pickup, this will further reduce waste that currently ends up in landfills. This is particularly important for e-waste, polystyrene, and non-commercial construction waste.

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

Regional issues that should be included in the scope of a national energy strategy are issues such as those identified by Regional Spatial Strategies, providing for low emission transport as pointed out in the consultation document, and solutions for connectivity for low carbon transport. The latter two items will involve recognising specialised transport needs (e.g. ports). Shifting the focus from consents to authorisations would further ease implementation. Appropriate incentives that align energy strategy with the phase out of fossil fuels for energy services which maximise the direct use of energy rather than more wasteful conversions will also be necessary.

It may be appropriate to review the national direction under the Resource Management Act for renewable electricity generation and transmission to examine the extent to which they adequately protect potential renewable energy generation, transmission and storage requirements.

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

The Council believes there is a role for renewable energy zones in achieving New Zealand's 2050 net-zero carbon emissions target, such as identifying where it is most appropriate to develop generation capacity. For example, access to wind energy has been specifically addressed in the Waikato Regional Policy Statement (WRPS) as a recommendation of the Waikato Regional Energy Strategy.[2]

[2] Waikato Regional Energy Forum (2009). Waikato Regional Energy Strategy. Taken from: Waikato regional energy strategy.pdf.

Landscape and ecological effects of renewable energy generation are some of the effects that are identified in local government policy and frequently addressed through the consenting process. Regional policy statements could be used to identify potential renewable energy zones. The Waikato Regional Policy Statement, for example, contains maps of areas considered to be regionally significant outstanding natural features and landscapes, leaving the door open for site specific local interpretation but providing policy direction as to where electricity towers and wind turbines would not be appropriate while also identifying areas where applications would be expected in the future and treated permissively.

As the proposed strategy points out (see p. 56), there is an important opportunity for offshore wind development sites, and pathways are required to facilitate that progression. If there are renewable energy zones, the strategic aims developed through the identification of these zones should enable local authorities to use spatial planning tools (zone, management areas or the likes) to facilitate the achievement of net-zero carbon targets.

9. Of the recommendations and suggestions identified in the Ministry of Business, Innovation and Employment "accelerating electrification" document, which do you favour for inclusion in the Infrastructure Strategy and why?

We favour the inclusion of:

a. Developing markets for bioenergy and direct geothermal use. Direct geothermal use does not experience the same energy losses as other centralised systems and locally sourced bioenergy (such as biomass) have significantly shorter supply chains which contribute to less greenhouse gas emissions as part of the generation process.
b. Boosting investment in energy efficiency. Efficiency in domestic and commercial energy use will increase the ability of existing infrastructure to cope with demand. This would be relevant for the capacity of hydroelectric to meet demand during periods of drought, for example. However, we note that any incentives should align with the New Zealand Emissions Trading Scheme to ensure that the right price signals and incentives are delivered to the market.
c. Enabling the development of renewable energy under the Resource Management Act 1991. A new policy could be included in the National Policy Statement for Renewable Electricity Generation (NPSREG) to support the integration of land use with energy generation infrastructure. Although we consider the NPSREG already addresses the balancing of local environmental effects and the national benefits of renewable energy development in RMA decisions, the NPSREG could provide direction on how local costs (not necessarily financial – e.g. environmental) incurred in the pursuit of national benefits of emissions reductions could be compensated for.
d. Facilitating local and community engagement in renewable energy and energy efficiency. Despite high upfront costs international experience indicates that, higher community engagement can create greater ownership, increased life of national networks, decrease energy loss due to transmission (as in the case of Canada's initiatives of community energy planning[3]). Further, that the community becomes very protective of their generation assets and are more conscious of their use (e.g. Scottish approach to community energy generation[4]). A distributed system of generation should be more resilient to network failure.

10. What steps could be taken to improve the collection and availability of data on existing infrastructure assets and improve data transparency in the infrastructure sector?

An aspect missing from the section on adapting to technological and digital changes is how we deal with big data. The volume of data will only increase with time, and it is important that ways to manage that data is planned. As we adapt to new and more expansive technological changes in the infrastructure sector, the public will continue to expect instantaneous access to what is happening in their area. This will make the integration of GIS in infrastructure companies even more crucial along with how big data is dealt with.

[3] https://www.researchgate.net/publication/223874864_Community_energy_planning_in_Canada_The_role_of_renewable_energy

[4] https://www.communityenergyscotland.org.uk/what-we-do.asp

11. What are the most important regulatory or legislative barriers to technology adoption for infrastructure providers that need to be addressed?
The most important barriers are legal limitations on how infrastructure is funded at local and regional levels. For local authorities access to funding is a significant barrier. Capital expenditure in newer technologies for infrastructure is done at the expense of ratepayers, so a small rating base or limited ability to increase rates or borrowing can limit the adoption of new technologies that could be considered an unnecessary cost. A recent report prepared for the Association of Consulting and Engineering identified "numerous challenges to delivering on planned capital expenditures, including a lack of capacity and capability to deliver large and complex projects as well as political unwillingness to increase rates and borrow."[5]

12. How can we achieve greater adoption of building information modelling (BIM) by the building industry?
Building information modelling works well when designing large projects such as hospitals, schools, etc. However, regional council infrastructure projects such as pump stations and stop banks are smaller in scale. These are simple, small structures and generally do not need to integrate into large databases to integrate with multiple suppliers. Requiring a one-size fits all approach will result in more complexity and confusion than is needed. Having the ability for smaller infrastructure projects to remain separate from a BIM approach within the building industry will allow for more streamlined and fit for purpose solutions.

13. How should communities facing population decline change the way they provide and manage infrastructure services?
The Council believes the main issue of population decline in relation to infrastructure strategy includes affordability to maintain, update and replace infrastructure. A more equitable funding model will be needed, that shifts funding from local government (rates) towards central government (tax). The Three Waters and other government initiatives indicate such a trend (as well as shared planning, maintenance and implementation by newly created authorities/organisations). It should be noted that structural population changes (ageing, ethnicity) also have significant impacts on infrastructure demand.

14. Does New Zealand need a Population Strategy that sets out a preferred population growth path, to reduce demand uncertainty and improve infrastructure planning?
Yes, the current uncertainty impedes effective infrastructure strategy planning for demand and supply. However, the Council believes an infrastructure strategy based on population projections would be more advantageous than a population strategy alone. Such a strategy would have to consider both the number as well as the structure of the population (the current government signals indicate a relatively young immigration profile). It also needs to consider the spatial distribution of population growth.

15. What steps can be taken to improve collaboration with Māori through the process of planning, designing and delivering infrastructure?
Improved planning, designing and delivering of infrastructure in ways that build better relationships with Māori is important. These relationships should be based on partnership where decisions are guided by Te Tiriti o Waitangi and its principles and ensure that the infrastructure primarily supports oranga tangata (the wellbeing of people).

Te ao Māori encourages us to think about infrastructure from the broad perspectives of wellbeing (oranga), kaitiaki (guardianship and stewardship), integration, longevity and connection to place, and seeing things holistically and in connection with everything: the land, environment, communities and people. These principles should be taken into account throughout every aspect of the infrastructure process.

[5] Infrastructure for the long haul – A need for transparency and durability Report to Association of Consulting and Engineering (p 18), 11 Sep 2020.

Timely and effective engagement are key to improved collaboration. Working with iwi Māori should reflect respect for tikanga, tangata whenua aspirations for the communities that will be impacted by the provision of infrastructure and recognise what is recorded in iwi planning documents.

16. What steps could be taken to unlock greater infrastructure investment by Māori?
To unlock greater infrastructure investment by Māori, infrastructure development objectives need to align with Māori social, health, cultural and economic aspirations and objectives. The incentive for co-investment by Māori will be maximised in work that leads to mutual benefit to the Crown (or private investment) and Māori communities associated largely with post settlement governance entities or large land trusts and incorporations. Improving Māori communities' access to social infrastructure would be a key focus for development.

Māori communities remain overrepresented in sub-optimal infrastructure statistics, specifically those that relate to access issues, and are proportionally the greatest users of much of our social infrastructure, including social housing, hospitals and healthcare. Of particular concern are the overrepresentation of Māori in:

- Homelessness, inadequate rates of home ownership, poor-quality housing, crowded housing and shared/commercial accommodation.
- Rural Māori communities lack of access to health services, transport, and telecommunications infrastructure.
- Resource management systems that lack meaningful involvement and restrict Māori decision-making powers and do not always protect te mauri o te wai and cultural values associated with fresh water and the wider environment.

17. What actions should be taken to increase the participation and leadership of Māori across the infrastructure system?
Māori are currently under-represented in professional and decision-making roles in infrastructure. For example, in 2018, only 5.5 percent of Engineering New Zealand's membership was Māori. Greater representation and participation will improve knowledge in the infrastructure sector, build the economic capability of iwi businesses, and support more collaborative relationships.

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?
To build competitive cities, the Council believes we need to build up rather than out combined with forward thinking environmental planning that ensures basic services are within a reasonable distance to where people live. Quality, compact, urban forms with higher population densities will make more efficient use of land allowing for increased and more affordable housing, greater access to public transit and employment, connectivity with social services and recreation opportunities. This will also allow New Zealand to move away from a car-dependency towards a multi-modal and public transit focused society.

Compact urban forms will also preserve indigenous habitats and productive farmland allows New Zealand to retain biodiversity and protect dwindling forests and productive soils while still allowing for population growth in a sustainable manner. We note redevelopment and intensification of existing urban areas also requires investment in up-grading and reconfiguring infrastructure to meet demand.

Further, enabling a responsive planning system through increasing the participation of iwi/Māori throughout the process and delivering housing and infrastructure that reduces infrastructure inequities, improves Maori employment opportunities and regional networks, and enables competitive regions and cities.

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

The Council supports the availability of a wider suite of transport pricing tools, including the ability to target pricing to encourage the use of public transport to access these employment centres and encourage discretionary travel to be spread to off-peak times. This will only be successful where a convenient and reliable alternative, such as public transit and walking and cycling networks exist. This should be coupled with other initiatives that also reduce the overall need to travel where it is not required such as encouraging remote working where possible.

20. What is the best way to address potential equity impacts arising from congestion pricing?
Introducing a congestion or other charges on non-discretionary travel without a compensating measure may further disadvantage users who can least afford it.

It may be possible to offset revenue generated from congestion charging to support the expansion of public transport services. Wherever charges may apply to specific routes an alternative should remain available.

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?
Yes, there should be provision for 30-year designations with appropriate triggers for review to avoid 'planning blight'. A 10-year timeframe provides certainty; however, this should be viewed with a lens looking at least 30 years to be strategic enough to span generations.

22. Should a multi-modal corridor protection fund be established? If so, what should the fund cover?
Yes, a multi-modal corridor protection fund should be established. It should be used to ensure the future corridors required to support transport connections are preserved. This might include land purchase, planning, design and maintenance of any purchased land or assets until the time that it is required without pre-determining the transport mode that the corridor will be used for.

Consideration should also be given to expanding the concept to include other strategic land acquisitions such as transport hub or depot locations.

The Council would like to note that the Waikato region is unique in that its freight corridors represent over half of New Zealand's freight movement thus providing benefit to many more than those living in the Waikato region. Freight movement through the Waikato is projected to increase by more than 50% over the next 30 years. The importance of protecting and enhancing rail and road infrastructure that supports the Waikato region as a conduit for much of New Zealand's GDP is crucial.

23. What infrastructure actions are required to achieve universal access to digital services?
Infrastructure actions required to achieve universal access to digital services is better aligned with functions of central government.

24. For the 'Creating a Better System' Action Area and the Needs: What do you agree with? What do disagree with? Are there any gaps?
The Council agrees with the action areas and needs listed. However, the Council also recognises that it will be important for the needs listed to be aligned to the national planning standards through resource management reform. If the needs are built into the national planning frameworks, implementation can be accomplished through the regional spatial strategies.

The actions and needs could be accomplished by considering a more rationalised and coordinated set of infrastructure institutions through local government and resource management reform with a focus on:

- equitable funding
- improved planning
- better use of existing capacity and capability
- transparency

- better use of existing infrastructure
- improved project procurement and delivery
- reducing costs
- improving consenting and activating infrastructure for economic stimulus.

Additionally, there is benefit in:

- recognising that mātauranga Māori (Māori knowledge) and mātauranga ā-iwi (iwi knowledge) have potential to add significant value and innovative solutions to current infrastructure issues
- increasing the current understanding of te ao Māori in the infrastructure sector
- providing guidance on how best to engage with iwi/Māori.

25. Does New Zealand have the right institutional settings for the provision of infrastructure?
No, current institutional settings have resulted in a steady increase of local government spending on infrastructure while central government spending on the same has declined from the 1970s and 80s.[6] Further, current institutional settings may incentivise decisions that lack sufficient consideration of long-term implications.

This has the potential to lead to legacy costs, stranded investments, and has contributed to the current infrastructure gap.

This is reflected by the preference to repair rather than replace, or in some cases divest in some assets This is compounded by the infrastructure funding challenges faced by many local authorities. "[The] current decision making at many councils shows that local government may be tapped out. For fast-growing localities, the cost of keeping up with infrastructure is outstripping the social licence to increase rates and borrowing."[7]
We also note that the system has continually allowed for the transfer of responsibilities from central government to local authorities, resulting in council's expenditure responsibilities being greater than their revenue-raising capacity, often the result of unfunded mandates, as identified by the New Zealand Productivity Commission.[8]

We suggest that the proposed strategy should follow the principles outlined in recommendation 6.1 of the Productivity Commission's 2019 report when informing the funding principles for infrastructure. These are:

Given the limited scope of local government in New Zealand, central government transfers to local government should be restricted to the following situations:

- when local government activities have national-level benefit spillovers
- sharing risks across all taxpayers, when some communities are subject to damaging shocks (such as natural disasters)
- helping low-income communities whose councils are struggling to fund essential services
- recycling revenue collected centrally (for administrative efficiency) to cover costs incurred locally.

Central government payments to local government that do not have one of these principled justifications, or similar, risk undermining the autonomy and accountability of local government.

26. How can local and central government better coordinate themselves to manage, plan and implement infrastructure?
Local and central government can better coordinate themselves by creating a central government agency that is responsible for effective infrastructure delivery and investment at all levels of government, much like the former Ministry of Works and Development.

[6] Ibid 5.
[7] Ibid 5.
[8] New Zealand Productivity Commission. Local government funding and financing Report, November 2019. Retrieved from: https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf

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

- sustainability
- accountability
- cost-effectiveness

with structures that provide decision-making power and fundraising power.

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?
As mentioned in our answer to question 25, the issue of adequate resourcing new mandates is pervasive and was highlighted in the Productivity Commission's final report for Local Government Funding and Financing. Without adequate resources or new revenue streams to cover the costs of the new responsibilities and mandates, these will remain underfunded and will not work in practice. Further, as stated on p. 40 of the proposed strategy, 'unfunded responsibilities being passed down to councils by central government' is highlighted as a funding and finance challenge raised by regional engagement.

29. Are existing infrastructure funding and financing arrangements suitable for responding to infrastructure provision challenges? If not, what options could be considered?
The issue of adequate resourcing for new mandates, including funding new infrastructure, is mentioned in question 28. In general, the 'benefit principle' should be key in determining who should pay for local government services including where those services generate national benefit (e.g. flood protection infrastructure for state highways), however, there is a direct impact that people's ability to pay (via rates) has on local government decisions making strict adherence to the benefit principle unrealistic. For example, shrinking populations in some areas or decline in economic growth results in infrastructure costs having to be spread out over fewer ratepayers, increasing the cost per ratepayer. These aspects should be considered when deciding on funding and financing arrangements.

30. Should local authorities be required to fund depreciation as part of maintaining balanced budgets on a forecast basis?
The Council considers that primarily local authorities should be required to fund depreciation if costs will be spread over the life of the asset(s). There is a need to recognise long-life infrastructure that will need to be operated in a carbon confined environment. Care also needs to be taken in infrastructure planning for the future to ensure design longevity.

However, Council notes that much infrastructure including much of the Waikato's river management schemes were funded by central government in the 1950's and 1960's and at this time *without* depreciation being funded. The infrastructure was then transferred to councils without the necessary maintenance funding leaving a significant short-fall that has had to be recouped. We would welcome any attempt to redress this.

As noted in question 22, the Waikato region is unique in that its freight corridors represent over half of New Zealand's freight movement thus providing benefit to many more than those living in the Waikato region. Freight movement through the Waikato is projected to increase by more than 50% over the next 30 years. Given that rail and road infrastructure through the Waikato region is a conduit for a significant portion of the GDP for the country, care should be taken as to the proportion of depreciation that local and regional authorities along major thoroughfares should be responsible to fund.

31. What options are there to better manage and utilise existing infrastructure assets?
A key option is to increase the capacity of infrastructure providers to gather and share data about their assets, to identify opportunities to share costs, capacity and capability. This could include a central

repository of information and by providing incentives to providers who choose to collaborate to improve utilisation.

We note the strong uptake of the financial incentives for collaboration made available for Territorial Authorities (TA) in respect of 3-waters infrastructure.

Although governance structures need to make decisions that consider the financial capacity of each rating base to meet the capital costs of building, maintaining, and enhancing infrastructure, it is also important to acknowledge when it is time to replace infrastructure. When an investment gives a better outcome, it becomes less costly in the long run to replace rather than focusing on sunk costs.

32. Are there benefits in centralising central government asset management functions? If so, which areas and organisations should this apply to?
The Council believes centralising asset management functions to a certain degree would be useful, but not solely at the central government level. Asset management functions should sit with the authorities who have the decision-making powers (and the associated fund-raising powers and accountability) in respect to asset management. For example, if all the costs and benefits of a piece of infrastructure accrue to those living within the boundaries of a particular district, the relevant TA should be responsible, resulting in a more efficient outcome. If there are cross-boundary spillovers of costs and benefits, then asset management should sit at a broader level – either regional or national.

Aside from internalising costs and benefits, if a sub-national body does not have the capacity to make appropriate decisions, or if it does not have the ability to fund infrastructure, those decisions would then be made at a higher level. If a 'higher' level (e.g. central government) simply funds the lower one (e.g. a TA), then the TA becomes accountable to central government for delivery. However, when central government directs a local authority to deliver infrastructure that the local community would not otherwise have chosen without providing any means of funding, this is contrary to the system of local government established by the Local Government Act 2002.

The Council is also of the view that the benefits of local procurement need to be recognised. If any centralised model were pursued, opportunities for local business which provide local knowledge and employment opportunities and retaining a strong regional and local skills-base are well provided for.

33. What could be done to improve the procurement and delivery of infrastructure projects?
Procurement practices should encourage strong partnerships between designers and constructors. Designers and constructors collaborating from the early stages to ensure designs are constructable and having the designer stay involved throughout the project would be most beneficial. This ensures that if plans need to change, those changes can be implemented realistically and rapidly.

The system should work on developing best practice guidance to assist in procurement, to reduce the risk of cost over-runs.

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?
A central government agency procuring and delivering infrastructure projects would be a substantial change for the industry. Centralisation could constrain innovation. If this were to move forward, there should be strategies in place to ensure creativity and ingenuity hold a prominent place in the process. Also, such a system would need a weighting system to favour local procurement; this should include considerations around emissions from shorter supply chains and localised economic benefits.

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

As mentioned in question 33, early and continued contractor and designer involvement would improve the productivity of the construction sector and reduce the cost of delivering infrastructure as would best practice guidance to avoid cost over-runs

Supporting practice that provide visibility of the infrastructure project 'pipeline' at local, regional and national levels will also promote private sector investment in capacity and capability, leading to improved competition and productivity.

36. What components of the infrastructure system could have been improved to deliver effective stimulus spending during the Covid-19 pandemic?
An aspect that was missing from the stimulus was a focus on beginning with some of the easy wins or simple projects. Although public infrastructure spending in larger projects provides stimulus to spark short and long-term economic growth, many "shovel ready" projects were complex and long-term (5 years to take to market and construction).

Further, many activities were in-effect an acceleration of business-as-usual, including in the transport sector where opportunities to pursue carbon emission reduction objectives could have been sought more actively.