

24 June 2021

Te Waihanga – Infrastructure Commission

MINISTRY OF TRANSPORT SUBMISSION ON HE TŪĀPAPA KI TE ORA

Thank you for the opportunity to submit on the Aotearoa New Zealand Infrastructure Strategy Consultation Document, He Tūāpapa ki te Ora, dated May 2021 (“consultation document”). The consultation document is comprehensive and thought provoking, and we appreciate the extensive work that went into producing it.

Our submission is structured around themes so the Ministry has not commented in detail on the document or provided answers to the specific questions posed in the consultation document.

We are happy for this submission to be made public.

There are substantial challenges ahead in the provision and delivery of public infrastructure

The Ministry is the transport system's lead funder and planner. This is in the context of our broader role of providing advice on how governments can best meet their objectives by combining actions across the transport levers of investment, regulatory change, economic measures, international relationships and treaties, and system leadership.

Transport is a changing system. Decarbonising transport will be a critical challenge and could transform the transport system. But it comes on top of pre-existing pressures, including the need to upgrade or replace significant assets built during the last century that will not meet our future needs. Other sectors face similar challenges.

A challenge for the transport system and many of its partners will be the amount of change that is in-flight, all at once, for the foreseeable future. We suggest the strategy focus on the most important of the consultation document's recommendations. We believe a strategy will be most impactful if it drives collective focus on a smaller range of the most critical priorities that will raise performance and help delivery across the system.

Te Waihangā can play an important role across the system

The silos in the system are breaking down over time, but it is in the nature of each sector that individual agencies and sectors do not see the system's total challenges and priorities. This is often about complexity. Te Waihangā plays a critical role for, and with, the infrastructure agencies when it looks across the issues in the broader system.

We see several challenges across the system, rather than within individual sectors, over the coming years and we will work with Te Waihangā on these. Some of the challenges relate to delivery and include:

- multiple, concurrent programmes of ambitious delivery, with multiple infrastructure sectors trying to manage larger and more complex projects than they have before
- the potential for individual sectors to compete for a finite pool of delivery capability and capacity, at a time when New Zealand is itself competing with other jurisdictions - it can be challenging for individual agencies to have a good view of current and likely future capacity
- being confident that our approaches to delivery are keeping pace with increasing complexity and scale, and we are not just trying to "do more" of the things that have worked before for smaller things
- exploring other options before building new infrastructure. We are concerned that the demands from climate change will be such that we are more likely to meet our targets, the less we have to build (recommendations F1.4 and S3.1 are helpful in this regard).

We see a key role for Te Waihangā in helping to make these connections, on the things that individual agencies cannot do alone, and ensuring the overall infrastructure system is "match fit" to deliver well for New Zealanders at a time when the challenges and our ambitions are increasing.

A stronger case for infrastructure and its contribution to New Zealand could be made in the final strategy

We support the draft vision in principle because it connects infrastructure to the wellbeing of New Zealanders.

However, we believe that the final strategy should make a stronger case for the role infrastructure plays in New Zealanders' wellbeing. Transport infrastructure is a key enabler of New Zealanders' economic and social opportunities by connecting people and goods. New Zealand's other infrastructure plays an equally important role, enabling many of the economic, social, environmental and cultural outcomes that New Zealanders seek.

We believe, too, the final strategy will need to more strongly acknowledge that infrastructure in New Zealand covers a broad range of sectors, and consists of many interdependent systems and networks. These systems and networks all have to work well together, safely and securely. For example, the discussion on transport infrastructure in the consultation document is heavily weighted towards roads and highways when the debate on urban intensification versus urban expansion is a key issue for New Zealand right now. There is evidence that urban expansion on the peripheries of cities and towns is significantly more expensive to service with infrastructure and produces more carbon, compared to upgrading infrastructure for urban intensification.

Further, we need to produce good infrastructure outcomes when there is a mix of private and public sector providers, and private and public investment.

Emissions reduction needs a much stronger focus so it is central to the strategy

While infrastructure has many benefits, we must address some of its negative consequences. In transport, these consequences include issues like deaths and injuries, congestion and emissions. Emissions' reduction is an urgent and critical priority for New Zealand. We would like to see the final strategy reflecting this priority much more strongly in its outcomes and principles. While the consultation document recognises the need to mitigate the impacts of climate change, it needs to be much clearer about the urgent need to reduce emissions over the life of this strategy. This includes the role infrastructure can play, such as reducing the need for travel, shaping urban form and supporting urban intensification and active transport modes. There is also the issue of reducing emissions through design and construction practices. It is possible that emissions reduction will be the most impactful priority over the life of the strategy. Emissions reduction will certainly drive a transformation of the transport system if we are to meet our national emissions targets.

The consultation document seems more focused on 'adapting' to climate change rather than tackling climate change (reducing emissions by decarbonising transport). For example, the three guiding outcomes do not make any reference to climate change/emissions reductions. Nor are these well-represented in the 'supporting principles'.

In the 'Needs' section, it is unclear why there is a dedicated section on transitioning 'energy infrastructure' for a zero carbon 2050, but not a dedicated section on transport infrastructure. This is because transport generates significantly more greenhouse gas emissions than the electricity and gas sectors, and is recognised as a key sector for meeting our 2050 zero carbon target.

Both the Ministry (through our Hīkina te Kohupara discussion document) and the Climate Change Commission have provided substantial advice on decarbonising transport, which we recommend referring to in finalising the strategy.

New Zealand needs to connect the short, medium and long-term to make more sophisticated choices

New Zealand needs to be better at long-term and integrated planning to make better choices on infrastructure. There will be hard choices, especially as more infrastructure is demanded, and the infrastructure becomes more expensive and complicated. Transport resources across the transport sector are already stretched in delivering a large infrastructure pipeline at the same time as rapidly setting transport on a pathway towards decarbonisation.

We are not convinced an emphasis on institutional and governance reform will deliver the change needed. Institutional reform may be helpful in some instances but reform also carries risks. While there are some inconsistencies in the form and function of institutions across different modes of transport, this alone does not justify institutional reform. A strong case for change is needed because reform exercises are expensive and resource intensive. Institutional change is not a solution to some problems. For example, it does not address fundamental issues of capability and capacity. Conversely, the separation between agencies can provide much-needed tension in the system, and allow different purposes and operating models when appropriate (for example, KiwiRail operating a commercial freight business).

The Government has introduced more sophisticated approaches to support collaboration and to make institutional boundaries less important when they need to be. Not all of these approaches will be applicable to infrastructure delivery, but they tackle some similar challenges. One example is flexible arrangements for public service agencies under the Public Service Act 2020 to join-up to tackle some of the big challenges facing New Zealand. New tools include the Inter-Agency Executive Board arrangement, for example, which agencies are using to be collectively accountable for delivering reform currently to the Resource Management Act 1991 (RMA).

The Ministry is also an active participant in the RMA reform process. These RMA reforms represent a step change in how infrastructure planning and funding will take place in New Zealand. Spatial planning, in particular, will provide a significant opportunity to more closely integrate land use, transport infrastructure provision and funding. The new arrangements are also intended to provide the structure needed for a wider range of interests to be represented in regional planning. Te Waihangā is ideally placed to continue to work with the Government as these reforms progress, and to work with the infrastructure sector, central and local government as the reforms are implemented. Implementation of the reforms will be a significant challenge given the wide ranging and complex nature of the proposed changes.

To improve decision-making around transport infrastructure, an important part of the Ministry's current work programme is to better connect short, medium and long-term choices through medium-term strategies and the Generational Investment Approach (GIA). The GIA is a new tool designed to better frame the transport choices available over a 30-50 year time frame, and draw a clearer and more specific link between longer-term objectives, planning, funding and delivery. The GIA will also assist in addressing future uncertainty in a more rigorous way. As a result, a longer and more certain pipeline of transport infrastructure should result. This will include greater clarity on the most critical pieces of infrastructure in the system, for reasons including resilience and planning the right lead infrastructure.

The GIA is a significant piece of work, and will take time to roll out. We would like to continue to engage with Te Waihangā to integrate the GIA with your work. It relies on collaboration and shared frameworks to set shared system strategies to set them up for collective implementation.

Funding future infrastructure and the costs of maintaining new and existing infrastructure will be a major challenge for New Zealand, and new funding and pricing tools will only be part of the answer

New and improved funding tools and better use of debt are priorities but they are unlikely to meet all the demands for infrastructure. Some of this revenue work is long-term as well. The Ministry's project to investigate the revenue system for land transport infrastructure and services is complex. Any new system, if that is what is decided, is likely to require public engagement, and enough time to implement. Our best current estimate is we have until the end of the current decade and we are monitoring this carefully.

Our work on transport revenue and funding will need to consider the way these approaches enable a just transition. Recommendation S2.3 suggests that we move the transport system to time, distance, and level-of-service-based pricing. As travel patterns change, the solution has the potential to shift the costs of the system onto people on low incomes and who live in small towns and regions. Our strong preference is that this recommendation notes the need for a sustainable, fair system that will meet the needs of a changed transport system, but leaves the way open for options to be considered – and to be worked through with the system's users as well. The current system was innovative and world-leading in the 1970s. One of our comments on the consultation document is that it should leave room for innovative solutions to be developed. It is possible, to balance competing priorities, we will have to deliver innovation in the area of transport revenue and charging once again.

We also believe there needs to be a sharp focus on addressing the escalating costs of infrastructure, delivery performance, and managing capability and capacity constraints and their effects on construction markets. Evidence suggests there is considerable scope to control costs and increase benefits from greater maturity from portfolio and project management frameworks. International benchmarking indicates that moving from average to good delivery can offer similar or greater cost efficiencies than innovative funding and financing approaches.

Good performance is a moving target. For example, we will need to deliver much more public transport to help meet emission targets when the rest of the world will also be building much more for the same reason. Delivering rapid transit systems is a challenge facing the transport sector because of their massive scale and complexity. Existing approaches were not designed to readily deliver (and fund) these types of projects. These are all important areas for an infrastructure strategy to address. Te Waihanga can continue to play a key role in ensuring we understand how we are placed to meet these challenges and supporting the work that needs to be done.

The consultation document is also relatively silent on what can be done to incentivise the private sector to invest in, and deliver, infrastructure at the right times, and to support the transition to net zero in 2050.

We also agree that it is important to get the most out of the infrastructure we have before adding new capacity, which is expensive both in funding and the impact on the built and natural environments. However, pricing tools are only one approach and may take time to put in place and, as noted in the draft strategy, such initiatives may have adverse impacts on other outcomes that need to be considered. Pricing can be an important lever for achieving behaviour change. If schemes are designed and executed poorly, it can also have a disproportionate impact on people who cannot afford to make different choices.

There are also opportunities to identify where other technologies, including innovations in vehicles, business models or network optimisation technologies, could improve network efficiency without the need to invest in physical infrastructure. The consultation document refers to legislation as a barrier to adopting new technologies. In many cases, the more significant barriers relate to socio-technical issues, such as investment approaches and the risk appetite of decision makers.

More weight needs to be given to safety, security and resilience

Our infrastructure needs to be safe, secure and resilient. We would encourage the final strategy to give extra weight to ensuring safe, secure and resilient infrastructure. Ensuring the safety, security and resilience of all our infrastructure, not just critical infrastructure, is a cross-cutting imperative. We would add, too, that we need to think about this in terms of networks. Airline operations, for example, operate in an ecosystem of vital infrastructure including both airports and air navigation services.

In addition, much of the discussion in the consultation document seems focused on the climate change aspect of resilience and does not comment much on resilience to the more immediate events and disasters that may occur in New Zealand.

Partnering with Māori should be reflected in the outcomes and decision-making principles

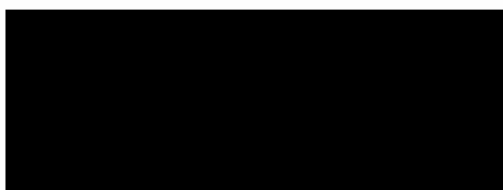
While the consultation document notes decision-making about infrastructure must be guided by Te Tiriti o Waitangi, it is not reflected in the proposed outcomes and decision-making principles. Ideally, we should partner with Māori to develop these. If this was done as part of the early consultation process, we think this should be clearer. In addition to the importance of mātauranga Māori (Māori knowledge) and mātauranga ā-iwi (iwi knowledge), several iwi have established long-term plans that infrastructure should consider.

We also note that the consultation document takes a narrow view of some of the transport challenges facing Māori by focussing on Māori living in rural areas. Evidence shows that Māori experience challenges across a wide range of transport indicators in both rural and urban areas. This suggests that further work is needed to identify how the transport system as a whole can deliver better outcomes for Māori in rural and urban areas.

The final strategy should be more focussed on the actions that are cross-cutting and beyond the control of any single agency

The consultation document sets out a long list of potential actions. The actions make sense, and some are of critical importance to the system. But some of them also duplicate work already happening in other parts of government and nearly all of them require support or implementation from other agencies. We suggest that particularly in areas outside of infrastructure, such as vehicle electrification, giving very specific direction can hamper the potential for agencies to consider different and potentially innovative options. We would encourage Te Waihanga to focus strongly on a few carefully prioritised actions, covering the system-wide issues where progress is most needed and Te Waihanga can support. Prioritised actions could be improving planning and investment frameworks, addressing cost escalation, and capacity and capability issues.

The Ministry is happy to discuss this submission further with Te Waihanga.



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