

# PositiveMoneyNZ

[www.positivemoney.org.nz](http://www.positivemoney.org.nz)

## Feedback on our approach to the National Infrastructure Plan

My name is [REDACTED] and I am the national spokesperson for [Positive Money NZ](http://www.positivemoney.org.nz), an independent, non-profit group advocating for monetary reform in New Zealand. Our patron is [REDACTED] and we are part of a global movement of organisations, the [International Movement for Monetary Reform](#), campaigning to change the way money is created so that money serves society.

Our feedback focuses on Question 7 on page 37 of your document: How should we think about balancing competing investment needs when there is not enough money ...?

In addition, page 41 of your document states: the Government capital funding is facing cost pressures that significantly exceed the available funding. It goes on to say that we will need to make trade-offs and prioritise some investment opportunities over others.

We have a funding model that challenges the assumption that trade-offs will be required because there is not enough money to build everything in the National Infrastructure Plan. We agree that trade-offs will be required but these should be determined by the physical resources and labour available, not by financing constraints.

The current funding options in your request for feedback document involve charging already hard-hit Kiwis with additional costs through taxes, rates or user pays charges.

Our alternative funding model will cover any shortfall from other financing sources and significantly reduces the funding costs to Kiwis. It has the Reserve Bank purchase very low interest Infrastructure Bonds **for the specific purpose** of funding your Priority Programme projects.

Our funding model has been customised and put before the mayors and regional council chairs as an option to fund water infrastructure projects and elicited interest from a number of quarters. The model is attached for your information.

Returning to infrastructure funding in general, purchasing Infrastructure Bonds would be similar to the Large-Scale Asset Purchase (LSAP) programme where the Reserve Bank bought \$4 billion of Local Government Funding Agency bonds.

### How our model would work

Approved Infrastructure Priorities Programme Projects would be bundled together and sent to Parliament for review and approval, including a proposed 20-year funding contribution.

Parliament would accept or modify the funding recommendation and authorises a 20-year “Infrastructure Bond” facility, e.g. \$80 billion.

The Infrastructure Commission or a special entity would then issue the Bonds that would be purchased by the Reserve Bank at a nominal interest rate. Terms and timings of the bonds would set in consultation with the Reserve Bank and would be timed to match finance to resource availability, reducing inflation pressures.

The Reserve Bank would purchase the Bonds. with funding ringfenced to specific Infrastructure Priorities Programme Projects and infrastructure projects would “top up” any shortfall via private market financing.

The funding from the Reserve Bank would be subordinated to private debt (i.e. it would be second in line for repayment) to assist obtaining private finance.

The Reserve Bank could also serve as the financial regulator ensuring prudent financial management and highlighting problems that might lead to default. It could recommend appointment of a commissioner to protect the interests of both the Crown and private bondholders.

### **Benefits of the proposed model**

- It provides long term certainty of projects and funding at very low interest rates
- It matches finance to resource availability to reduce inflation impacts and/or utilise spare capacity
- It retains local ownership and control of infrastructure assets
- It provides a mechanism to leverage the public funding contribution to boost finance available from private sources
- The debt is denominated in NZDs.

Funding from the Reserve Bank has been used before. From the 1930s, it [built thousands of state houses and supported farmers](#) to export their produce. From 1930 to 1975 the Canadian central bank financed the construction of highways, airports, bridges, schools, hospitals, and other infrastructure.

Where there is capacity in the economy, central bank financing is not inflationary, as research has [proven in the Canadian experience](#), over a period of 45 years.

Funding will make or break the National Infrastructure Plan and we recommend our model as it uses existing independent institutions and familiar concepts (like infrastructure bonds) to enable funding at a significantly reduced cost.



### [Positive Money New Zealand](#)

A financial system that supports a fair, productive and sustainable economy

