Taituarā
Local Government Professionals Aotearoa

Regarding the Draft National Infrastructure Plan

Submission to Te Waihanga - New Zealand Infrastructure Commission

August 2025

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What is Taituarā?

Taituarā — Local Government Professionals Aotearoa (Taituarā) thanks Te Waihanga - New Zealand Infrastructure Commission (the Commission) for the opportunity to respond to the Draft National Infrastructure Plan (the draft).

Taituarā is Aotearoa New Zealand's leading membership network for professionals working in and for local government. Our thriving membership base consists of just over 1,000 members, drawn from chief executives, managers, and staff across all 78 local authorities.

What unites Taituarā members is our commitment to being our own professional best, supporting local government excellence through connection, collaboration, and care for the well-being of our communities.

Taituarā strengthens the local government sector as a whole by using our members' insight and experience to influence the public policy debate. We encourage thought leadership by enabling our members to step back from the day-to-day agenda, sharing wisdom, creating value, and building knowledge.

Local government is a key provider of infrastructure. We are the owners of almost all the nation's three waters and flood protection assets, some 90 per cent (by length) of the road infrastructure, and community facilities such as parks, libraries, museums etc. According to the Department of Internal Affairs, the sector owns around $135 billion in fixed assets, most of which is network infrastructure or community infrastructure.

We have closely followed the development of this draft plan, the strategy that preceded it, and the Commission's development of an evidence base. We largely agree with the direction underpinning the draft plan – our comments are largely matters of amplification and clarification alongside two significant omissions.

We have not responded to a number of the recommendations addressed solely to central government. Where we do comment on these its generally regarding the transferability to central government of an obligation of obligations placed on local government.

Resilience, especially climate resilience, is a significant omission from the National Infrastructure Plan.

We start with what (to us) is an area where the plan is somewhat underdeveloped. We refer to resilience of the infrastructure stock.

The Commission, quite correctly, identifies resilience as a long-term driver of infrastructure investment. New Zealand has a particularly active risk-scape, especially natural hazards, sitting as we do at the intersection of tectonic plates. We also sit in in the pathways for cyclones out of the central and western Pacific. The Commission makes much of New Zealand's relatively low level of efficiency of the infrastructure spend– to what extent does the materialization of natural hazard risk and the investments to build resilience play a role.

Chapter Eight of the New Zealand Climate Adaptation Plan recommended a series of actions to support infrastructure providers to adapt their assets to climate change. The two key actions were action 3.8 (develop guidance for assessing risk and impact on physical assets and the services they provide) were development of a code or standard for resilience (action 5.6). As we understand it, the national code on resilience has been discontinued, at least in any form where it could have been enforceable.

There are many opportunities to build a greater level of resilience into the stock of infrastructure. For example, the discussion of business cases might include some discussion of a common approach or assumption to the pricing of carbon for common use across central and local government. Although present in the discussion of 'need' to some degree, the need to build to a higher standard to mitigate natural hazard risk, to protect and in some cases to relocate or retreat could have been put more strongly. The plan might usefully advocate with the completion of the statutory and policy framework for climate adaptation alongside the discussion of land-use planning (and spatial planning).

Ensuring resilience to natural hazard risk is one of the ongoing whole-of-life costs associated with the asset lifecycle. Resilience in the financial sense is becoming an increasing challenge Both local and central government are facing increasing challenges in getting insurance at competitive premiums and other terms (such as the excess). To quote the former Minister of Local Government, Hon Simeon Brown: *"Insurance costs have significantly outpaced inflation for public and private asset owners in recent years. Part of the increase has been driven by an increased* *understanding of seismic risk, with an update to the National Seismic Hazard Model (NSHM) in 2022 and higher incidence/impact of weather events. For central government, insurance costs have increased an average of 23% per annum for key central government agencies over the last three years. This has driven (and occurred despite) a reduction in the level of insurance coverage obtained, meaning there is a greater cost of insurance and a higher exposure to risk. The local government picture is similar with increased costs being passed onto ratepayers through rates increases and higher levels of uninsured assets."*[1]

Central and local government might work together to consider options such as polling risks, establishing a captive etc. The above seemed to imply that central government was contemplating an intervention - as of this writing nothing has happened. An understanding of the natural and other risks associated with infrastructure and the process of determining risk appetite, what is insurable and what other alternatives is essential. The Commission could aid in this by broadening its recommendations around risk to include insurance needs.

As it stands the draft plan has little to say of flood control infrastructure. River management structures are critical to protect other infrastructure and communities. Page 105 of the draft plan states *"Infrastructure needs to become more resilient because risks are intensifying…Costs from extreme weather events and flooding will increase due to climate change."*

Given the critical role that flood control infrastructure plays in safeguarding other essential infrastructure systems, the draft plan should emphasise its importance. While the draft Plan covers transport, energy, education, health, and water in reasonable detail, flood protection is mentioned only five times – and often interchangeably with stormwater. Flood protection infrastructure may only represent a small proportion of Aotearoa's total infrastructure value, but its function in protecting high-value and vulnerable assets is not proportionately acknowledged in the current draft.

To reflect the true value, flood control infrastructure should be given the same level of visibility and priority as 'Water and Waste' infrastructure as shown on page 16 of the draft plan. Unlike water supply or wastewater systems, flood control infrastructure is significant beyond serving daily essential functions and has more severe consequences if it fails or is not properly invested in. A more visible approach

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[1] Minister of Local Government (2024), *Local Government Forward Work Programme – Paper to Cabinet Economic Policy Committee meeting of 7 August 2024*, page 11.

would better align with the plans' goals of investing in strategically planned, maintained and resilient infrastructure.

Recommendations

That the Commission:

1. **weave more of the recommendations in the infrastructure chapter to the National Adaptation Plan into the discussion of needs, business cases, land-use planning and spatial planning**
2. **include the insurance of assets in its recommendation regarding risk management**
3. **ensure that flood protection and river control assets are included in the final plan.**

The funding pathway put in recommendation six is well grounded in economic theory, but needs to be leavened with consideration of the practicalities involved.

Recommendation six establishes a funding path in that funding tools are matched to asset type (user-pays for network infrastructure, commercial self-funding for economic-development assets, and tax funding for social infrastructure) to keep the overall capital envelope affordable. User-pricing principles are applied across all network sectors so user charges fully fund investment, guide efficient use of networks and distribute the benefits of network provision."

The Commission sets out what, in principle at least, is a coherent flow of logic. User pays for network infrastructure, tax for social infrastructure, commercial funding for economic development infrastructure.

The application of user-pricing principles does not always mean that a per unit of use, per visit charge is the best available solution. There will be instances where the collection of a per use charge is uneconomic (for example asset and economic literature abound with decision-making rules for determining whether water metering is an economic prospect) and other alternatives provide a second best solution (for example, can the volume of stormwater leaving a property be accurately measured, fixed charges or charges based on property area sealed, paved or built on may be a second best option).

We observe that in reality infrastructure is rarely funded from a single source. Some of the community assets owned by local authorities are typically funded by a mix of user charges and rates. For example, few local authorities fund swimming pools wholly from rates – there is at least partial recovery from entry charges, hireage for functions etc. Development contributions meet part of the cost of the parks and reserves function in most 'growth' councils. There are wider policy goals than economic efficiency being pursued – the funding policy processes of section 101(3) are intended to make those transparent.

We noted that the Commission has specifically mentioned economic development assets and welcomed the Commission's view that value capture is an appropriate funding tool in these circumstances. (Though we do note that the distinction between network infrastructure and economic development infrastructure is not always easily drawn – we suspect that the Commission may have assets such as the Ōpōtiki Harbour redevelopment in mind).

Value capture schemes take many forms. In the New Zealand context tax increment financing would operate as a form of revenue sharing based on a hypothecation of a portion of additional GST revenues as a proxy for the level of economic activity generated by an investment. The more likely form of value capture would be a levy based on the level of value uplift in a defined area of benefit. In either case, there has been little real progress in the development of either alternative, even in the context of the so-called regional deal mechanisms

One tool not mentioned in this analysis is the use of development contributions/levies. There are important tools for recouping the capital cost of growth from the development community. We suspect that these tools most probably fit in this taxonomy as a form of charging of a particular category of beneficiary. The Government is currently reviewing the mechanism. The Commission should consider where development levies fit within this framework.

The Commission should also note its previous research that suggests that New Zealander's perceptions of the fairness of user charging vary markedly across the different types of network infrastructure. To quote the Commission, "three-quarters of New Zealanders thought it was fair to pay for electricity and water based on usage, but only one-third thought it was a fair way to pay for roads."

Proper user charging for land transport is overdue. But the case for user charging goes well beyond land transport.

The Commission's fifth recommendation is that "(t)he land transport funding gap (be)closed by requiring user charges to fully fund planned investment."

It has long been known that the present system of road funding is financially unsustainable and sends the wrong signals from both an environmental sustainability and an infrastructure management standpoint. Road user charges apply only to a portion of the fleet. Greater fuel efficiency and the increasing take-up of hybrid vehicles make fuel excise increasingly unsustainable. This is one of the root causes of the current funding gap,

In reality both fuel excise and RUC are taxes. Neither is based on any estimate of the true costs of road use (including the environmental and safety externalities of road use despite the analytical framework having existed since 1997).[2] Political unwillingness to increase any form of tax is the other root cause of the current funding gap.

Some progress has been made recently with the introduction of legislation to introduce time-of-use charging (under certain provisos and limitations). And tolling has been used as a means of recouping the cost of a smaller number of large transport projects (Auckland Harbour Bridge, Tauranga Harbour Bridge, Transmission Gully, the so-called Holiday Highway etc).

But both the time of use charging and existing tolling legislation require Ministerial approvals and therefore are subject to sudden shifts in political direction. To take an example, the removal of tolling on the Tauranga Harbour Bridge was made a condition of post election government formation in 2005 (in effect nationalizing the repayment of debt on the Bridge).

The Government Policy Statement - Land Transport Funding 2024 signalled that the Ministry of Transport would be reviewing the land transport funding system including the eventual replacement of fuel excise. A year on there have been few public signals as to what is happening or even when a decision might be expected. The plan might supplement its recommendations by asking that the Government clarify when it expects to decide, and over what timeframes any change might be made.

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[2] Disclosure: The primary author of this submission participated in the initial Land Transport Pricing Study of 1995-97.

One of the reasons for the historical reluctance to make such a change is that any shift from tax to user charges has both macroeconomic and distributional impacts (i.e. creates 'winners and losers')Policymakers are right to be concerned about these impacts, especially on the lower income. Recommendations around user pays need to be tempered with some discussion pointing out the need to identify both a transition path and a plan for addressing the social policy implications of the change.

In previous submissions to the Commission, we have commented both that the analytical framework for costing the impacts of road use has existed for almost thirty years and there has been some degree of analytical paralysis of policy approach (of successive governments). The existence of a funding gap points to our (no pun intended) having run out of road to kick the can further.

While we agree with what the Commission has said about user-charging for land transport, we observe that in powers to user charge are something of a patchwork.

We observe that legislative frameworks around charging in public entities are based very much around the recovery of actual and reasonable cost. The formulations of actual and reasonable in legislation tend to point to the recovery of financial rather than the economic costs of providing services. In particular pricing of externalities would probably not stand judicial scrutiny. In a function such as solid waste there is some attempt to capture one environmental externality through the Emissions Trading Scheme, but this is only one such externality.

<u>Recommendation</u>

4. **That the Commission recommend that legislation that empowers fee-setting for infrastructure allow for full recovery of economic costs.**

Consumer protection regimes must be designed on a 'horses for courses' basis.

Recommendation four suggests that *"all infrastructure providers, regardless of sector have clear and well-understood transparency and accountability mechanisms that ensure that consumer interests are protected."*

The 'theory' behind this proposition is straightforward. Most network infrastructure has significant natural monopoly characteristics – highish barriers to entry, high fixed costs, and economies of scale. Consumer protection legislation is intended to protect those using such services from the three evils of monopoly (higher price, lower quantity or quality outputs and excess profits.

There is no single ‘off the shelf’ model of economic regulation that can be ‘copied’ wholesale from one network type to another – though of course there are common design features for many.

To take an example, the current reforms of water services have the following features that are relevant to the design of economic regulation:

- each of the delivery models are based on public ownership (whether it be by local authorities, community trusts or some combination of the two)
- the ringfencing provisions make it very clear that water revenues must be spent on water services (though at the time of writing the legislation as worded suggested that distribution of a profit to shareholders possible_
- the activities of water services providers are limited by statute to the provision of water services (drinking water supply, wastewater treatment and disposal and stormwater treatment and disposal)
- water services providers will be subject to a quite detailed regime of public accountability including the production of a water services strategy (which the Commerce Commission can request receive a prospective audit).

The purpose of economic regulation in that environment would therefore be primarily concerned about providing assurance to users of water services that services are being delivered efficiently and in their long-term interests. The control of monopolistic excess profits would be less of a concern. That points to a regulatory framework that is disclosure and transparency based enabling consumers to detect differences in performance between providers and hold them accountable for these (for example, enabling customers to ask questions such as “why is the price I’m paying for this service different from that elsewhere?”

Spatial planning that aligns and guides land-use and infrastructure planning across sectors will have substantial benefits, with certain provisos.

Recommendation 7 states that *“under the new resource management system, spatial planning informs and is informed by infrastructure investment and asset management planning and the New Zealand Infrastructure Commission’s independent view of long-term needs.”*

The sector has long supported the concept of spatial planning in principle, and in practice.[3] We therefore generally concur with the comments that the Commission makes about the benefits of spatial planning and its general description of how such planning would operate (e.g. spatial planning should not be developed on a command and control basis but should be high level).

There are provisos. The first is that the scope of strategic plans should focus on building communities and therefore needs to bring in the widest range of providers. Central government needs to bring social infrastructure into the planning process. That is to say, for example, that spatial planning needs to bring in the planning and location of future state-funded educational institutions (particularly the school network) and healthcare (hospitals and other specialist care where applicable). This means communities can be designed with an eye on all of the needs that make for a successful community, and that investment can be rationalised.

That is, such a plan provides the vehicle for local and central government, the private sector, the voluntary sector, and the wider community to engage in real community planning. By which we mean determining an overall direction for the community and what each party can do to bring it about. This is an exciting opportunity to empower communities with a greater say in service design and delivery at local level.

This will be challenging for central government. It will involve some cession of Ministerial powers of decision and of patronage (sharing might be a better word). This is a test of Government's commitment to partnership with the sector

Scale is the second issue that needs resolution. The previous legislation, and other commentators such as the Randerson report suggest strategic planning be undertaken at a regional level. We observe that boundaries-based catchment boundaries might provide some degree of convenience for central government and its engagement and there is alignment with present environmental management.

The model finally enacted must encourage local authorities to work together but rather than mandating a single approach, spatial planning on a regional basis should be more of a rebuttable presumption. The interests of South Canterbury are distinct from those of the Greater Christchurch conurbation, just as the interests of the Taupo community do not sit in five different areas. There are examples of spatial planning at lower than regional level such as the Hamilton-Auckland corridor plan that straddles identified parts of one unitary and two territorial plans. The present Government's 'city/regional deal' mechanism sent an expectation that local communities should work together, and this may well carry over into spatial planning.

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[3] At the time of writing one council (Auckland) has a spatial plan adopted to meet a statutory requirement. Another xx have various forms of spatial planning adopted on a voluntary basis.

We note that central government is also going to need to give some greater lead to the development of spatial plans. These should be guiding their infrastructure planning too! And while there is some division in the sector regarding the merits of a national level spatial plan, we observe that central government will need to provide greater clarity in what objectives it is working towards and how these are relevant to the way we use space.

Policy stability is important both in the management of infrastructure and in general.

Recommendation 10 states that "Energy investors have predictable policy and consenting settings that support affordability, security of supply, and the decarbonisation of the economy."

Taituarā is not an expert in the energy sector and so makes no specific comment on this recommendation per se. We imagine that this reflects policy shifts around exploration for oil and gas.

We would however note that policy stability is critical across the entire infrastructure portfolio. The tale of waters reform is instructive – first the mandatory amalgamation of water services into four (and then ten) water services organisations, then partial reversal into the present community led process. In that time five years have passed, central government has incurred more than two billion dollars in expenditure (including the so-called 'better off' and 'stimulus' funding) as well as direct costs of the reforms, not to mention the costs incurred by local authorities in making two transitional processes. The uncertainty has had an impact on the contracting industry and on local authorities themselves.

Shifts in policy priorities have also been particularly marked in land transport – with marked shifts in investment priorities between government policy statements (between 2023 and 2024 , two markedly different draft strategies were released in nine months). Underpinning that in large part there was a considerable shift in views on climate adaptation and willingness to use transport interventions to achieve climate adaptation objectives.

We are not naïve. Politics exists as means for the community to make choices between competing world views, and some shift in policy can be expected. But greater consensus our infrastructure, what we expect from it, and around our investment choices would promote confidence on the part of the construction industry to invest in plant and workforce development.

Central government should place itself under the same requirements that it places on others when it comes to asset management and investment planning.

Central government agencies are legislatively required to prepare and publish long-term asset management and investment plans

We were surprised to see that there is no public sector wide requirement to undertake asset management planning (or even for some of the asset intensive agencies such as Waka Kotahi). It calls the robustness of documents such as the statement of long-term fiscal position (as per section 26N of the Public Finance Act) under serious question.

We observe that the move to asset planning in local government was given impetus by a 1994 Audit Office report in which the then Auditor-General "declined to provide Parliament with an assurance as to the future financial condition of local government" due to a lack of robust asset planning. While we have seen occasional reports on specific sectors or assets, we are aware of no such finding regarding central government.

The local government sector is under a direct legal obligation to manage assets. Section 14 of that Act sets out a series of principles of local government that function as the highest-level things a local authority is expected to give effect to. Eighth on the list is a principle that " a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, *including by planning effectively for the future management of its assets*."

And while the highlighted has been a direct obligation since 2014, asset management has been very much treated as a practical necessity since the introduction of the audit of long-term plans. A local authority that has no current asset management plan for high-value or high spend activities or has deficiencies in its asset condition or performance information can expect some form of modification on its long-term plan.[4]

[4] To take an example, Invercargill City Council received an adverse opinion on its 2006-16 Long-term Plan noting that *"Invercargill City Council's LTCCP did not fulfil it* (sic) *statutory purposes - it was not, in our view, fit for purpose. We formed this view based on the cumulative effects of either inadequate or inconsistently applied underlying information. This underlying information predominantly was infrastructure asset information associated with the council's major service activities of water and roading. It is not possible to affirm that the level of proposed expenditure over the life of the plan will*

It seems to us that adding a direct requirement to plan for the future management of assets into the Public Finance Act is the place to start in that it ensures the Executive has direct accountability.

Section 52 of the Public Service Act 2020 places public service Chief Executives under an obligation to *"supporting (Ministers) to act as effective stewards of the public interest, including by: maintaining public institutions, assets, and liabilities"*. We suggest this could be strengthened to refer to asset management more directly. And as what is measured gets done, the Public Service Commission should develop performance accountabilities suitable for inclusion in a Chief Executive's performance agreement.

The prospective audit of the long-term plan was intended to function as a statutory 'fence at the top of the cliff' by providing an independent review of the information used as a basis to plan. It has helped improve understanding of assets, though the sector has some way to go. Perhaps a prospective audit of the long-term statement of financial position may have some value (we are aware the Audit Office did undertake a performance audit of at least one statement, but this is after the fact). If that is too "sensitive" an area, then perhaps individual audit of documents such as the Government Policy Statement Land Transport might be contemplated?

Recommendation

5. **That the Commission note that amendments to the Public Service Act and to the performance management of Chief Executives would be required to support the changes to the Public Finance Act. A prospective audit of key investment statements such as the Government Policy Statement – Land Transport would also promote better asset management.**

Publication of business cases and advice should be subject to minimum size thresholds or criteria.

Recommendation 15 is also directed at central government alone and reads "All business cases, Budget submissions, and advice on central government infrastructure investments are published".

deliver the levels of service or that the expenditure was not materially misstated … These issues are fundamental, and we were unable to confirm that the LTCCP was financially prudent."

We imagine that, like local government, these documents are generally discoverable under official information legislation, and that the real effect of this recommendation is to make these documents available 'as a matter of course.' Policies on proactive release are a great deal stronger than they were, and a lot of material is released now but on timetables that are set in Minister's offices.

One observation is that there should be some minimum project size criterion specified – which might be based on either an absolute dollar amount or perhaps the percentage of the responsible agencies' budget.

The Commission's recommendations around workforce development and public sector capability are critical. The plan must set out a specific 'development' pathway.

Recommendations 1 and 2 are the most important in the draft plan. The capacity of the sector to deliver is the largest impediment to the achievement of the present strategy. The strategy contained a recommendation that *"deliver a national infrastructure skills plan to ensure New Zealand has the right people with the right skills to deliver our infrastructure over the medium to long term."*

We know more about the size of the infrastructure workforce and who works in infrastructure (thanks to the Commission's report Who's Working in Infrastructure). But overall, the response to date appears piecemeal. We are unaware of any estimate of the total workforce needs for the infrastructure sector, which is believed to be substantial. The three waters reform work found that the estimated number of full-time employees in three waters professions is expected to increase from 5000 FTE to around 9000 FTE.

New Zealand need to build more resilience into the infrastructure by growing the domestic labour supply into the infrastructure trades. That begins in schools considering how subjects such as mathematics, physics, chemistry, and (even) communication-rich subjects such as English are taught. Other initiatives, such as the Construction Accord, have examined strategies to attract more people into construction trades. Something similar is needed for infrastructure-related trades such as civil engineering, quantity surveying, and project leadership..

Changes to the policy settings for student assistance to incentivise study could pay dividends. For example, a write-off of student loans for people who study civil engineering and stay in New Zealand for a set number of years. Targeted assistance with fees might also prove effective if carefully designed.

The plan should recognise and provide for decommissioning as a valid management strategy for some categories of infrastructure.

One of the plan's central objectives is to establish appropriate tools and oversight for the strategic planning of infrastructure projects. Decommissioning is a critical phase within the project lifecycle, and inadequate planning in this area can lead to significant financial costs and liability risks. The plan places specific emphasis on maintaining infrastructure but does not recognise where it may be more cost effective and efficient to decommission infrastructure, which is a necessary part of some infrastructure projects.

Taituarā
Local Government Professionals Aotearoa

Taituarā — Local Government Professionals Aotearoa
Level 9, 85 The Terrace, Wellington
PO Box 10373, Wellington 6140

T 04 978 1280
W taituara.org.nz
E info@taituara.org.nz