

Submission by



Submission
to the
New Zealand Infrastructure Commission
on
Developing an enduring National Infrastructure Plan

10 December 2024

Introduction

This submission is from Business New Zealand (BusinessNZ) and the BusinessNZ Energy Council (BEC). BusinessNZ is a network organisation that encompasses four regional business organisations (the EMA, Business Central, Business Canterbury and Business South), ExportNZ, ManufacturingNZ, Buy New Zealand Made, the Business Energy Council, and the Sustainable Business Council. Through its network, BusinessNZ represent about 75,000 businesses, large and small. BEC is a cross-section of leading energy-sector business, government and research organisations taking a leading role in creating a sustainable, equitable and secure energy future. BEC also represents the World Energy Council in New Zealand.

We are pleased to have the opportunity to make this submission, and we thank the Infrastructure Commission for releasing the Discussion Document: **Developing an enduring National Infrastructure Plan**. A draft of this submission received strong support from our members.

In our recent submissions to government departments and agencies, on different issues, a constant theme has been our concern that there should be sufficient policy stability to provide businesses with the confidence they need to justify their investments. This does not mean that policy settings should never change, but it does mean that there should be no wild swings of the sort that deprive businesses of reasonable certainty.

Unfortunately, however, there have been some significant policy flip-flops when governments have changed. This includes policy in the area of infrastructure. For example, the current Government Policy Statement (GPS) on Land Transport, published in June 2024, was very different from the draft GPS, published by the previous government in August 2023.

We also believe that policy making should be coherent. Business operations are affected by a range of government regulations, initiatives and incentives, but there is potential scope for all these influences to confound the intent of one another. Infrastructure is one area where different elements of policy can fail to align, or even to lead perverse outcomes, so it will be important for any National Infrastructure Plan to go beyond simply consisting of a set of investment projects. We are pleased to acknowledge that the Discussion Document recognises this.

Key issues for businesses

Having read the Discussion Document, we would like to emphasise a number of key issues, as follows:

New Zealand spends inefficiently on infrastructure

As the discussion document hints, New Zealand spends about the same on infrastructure as other OECD countries but doesn't get the same outputs. We agree with the observation in the Discussion Document that this comparative inefficiency is partly because of our small and dispersed population, but we believe it is also associated with deficiencies in infrastructure planning, procurement, project management and asset management, all of which are associated with difficult and prolonged consenting processes.

The former Chief Executive of the City Rail Link project in Auckland, Sean Sweeney, also blamed the high costs for the project on a combination of political spats leading to plan changes and costs escalations. Looking at infrastructure more generally, he attributed very high costs in New Zealand partly to the lack of a pipeline of infrastructure projects, which means that construction firms have no certainty and, as a consequence, find it difficult to maintain skills in their workforce.

We concur with Sean Sweeney's view about the negative impacts associated with political spats and the lack of a pipeline of projects.

What a Plan should look like

In our view, it would be unnecessary and unhelpful for a National Infrastructure Plan to specify exactly what investments there should be, in which types of infrastructure, and where.

We believe that what emerges should, instead, be more akin to a strategy than a plan *per se*. A strategy should include:

- **A vision of the infrastructure that New Zealand needs** for a growing population that enjoys high standards of living

- **An assessment of what each class of infrastructure should contribute**, including both public and private infrastructure
- **Broad investment priorities for each class**, including investment timescales
- **Identification of the financial and other resources required** to achieve the priorities
- **Identification of critical supporting policies**, e.g. on workforce training and immigration
- **Specification of the intended outcomes.**

We also envisage that the strategy would be reviewed periodically and updated, as necessary.

Treating different parts of the infrastructure as an integrated whole

We know from communications with our members that they regard the infrastructure as being an integrated whole, rather than consisting of separate components. In terms of land transport, for example, many businesses, especially exporters, see road, rail and ports (and access to ports) as all being important to their distribution operations. This highlights the importance of whatever infrastructure strategy is eventually formulated having a whole-of-system underpinning, rather than comprising a set of pigeonholes for each part.

The importance of private infrastructure

As noted above, infrastructure strategy should include an assessment of the needs of private infrastructure.

The vulnerability of parts of the private infrastructure became clear when Cyclone Gabrielle struck early last year. Whole communities were left without power and telecommunications, including the internet. Outages in these services compounded the damage to normal life caused by damage to public infrastructure, especially to roads.

One lesson arising from the storm and its aftermath is that any tendency to think that infrastructure strategy can overlook private infrastructure should be avoided. Private infrastructure needs appropriate regulatory and policy settings to enable it to become more resilient and to operate efficiently. This is partly because the complexities of the economics of telecommunications, power and digital infrastructure operation can make it difficult to appraise potential investments, even without the uncertainties introduced by regulation and other policy settings.

Funding

The sort of strategy we envisage should also encompass consideration of how investment in infrastructure development could be funded. It has become clear in recent years that there has been underinvestment in both the maintenance of existing unstructured and the development of new infrastructure. There is consensus that this underinvestment needs to be corrected, but it there has been less agreement on how the required correction should be funded.

Our view, as expressed in our **Briefing to the Incoming Government** and other recent policy submissions, is that it would place an onerous and unfair burden on businesses and households to fund remediation and improvements in public infrastructure from their taxes. Instead, we have urged the government to explore and utilise alternative funding mechanisms, and we are encouraged that the recent **Government Policy Statement on Land Transport** and the newly published **New Zealand PPP Framework** promote the use of alternatives to current tax funding. We believe that land transport investment should be funded, to a large extent through a combination of PPPs, tolling and time of use charging, while PPPs should be considered as possibilities for investments in other classes of public infrastructure.

A National Infrastructure Plan can only endure if there is bipartisan support

Although it seems that there is consensus that New Zealand's underinvestment in infrastructure must be addressed, it clear to us that an enduring national infrastructure strategy can only be implemented successfully if it has bipartisan political support. We were heartened to observe evidence of bipartisanship in the recent foreword to the proposed New Zealand PPP Framework, which was co-written by the Labour

Party spokesperson for Infrastructure, as well as by government ministers. However, we would like to see more explicit declarations of intent by the government and the opposition to build on this.

Bipartisan agreement should centre on ensuring stable and predictable regulatory settings as it relates to market fundamentals, while allowing room for divergence in political preferences. This will provide the necessary confidence to initiate private investment. Inconsistent and unclear changes to regulatory settings over time chills investment. This was seen in the electricity sector with the Lake Onslow project and the ban on new offshore oil and gas exploration. The Government Policy Statement (GPS) on Electricity, which outlines the Government's role in issuing consistent and clear regulatory settings, is a positive principle that should be reflected in the Plan.

Infrastructure investment decisions should prioritise business efficiency and economic growth

In recent years, policy frameworks have tended to reflect a four wellbeings approach, whereby social, cultural, and environmental wellbeing have been assigned more-or-less the same weight as economic wellbeing. We do not deny that social, cultural and environmental wellbeing are important, but sustained improvements in these areas are only affordable when there is a strong economy.

Accordingly, we believe that an enduring National Infrastructure Plan should have a sharp focus on identifying and pursuing opportunities to increase business efficiency and, hence, productivity and wealth creation.

Workforce development

One benefit of having an enduring National Infrastructure Plan that has bipartisan support is that it will help to give businesses the confidence they need to invest in developing the infrastructure construction workforce.

In the past, New Zealand has experienced delays in starting and completing projects because of labour and skills shortages. The lack of a clear pipeline of projects meant that, once a major project was completed, workers often felt the need to go overseas to continue working in their chosen occupation. The result was labour shortages in many occupations, and at all skill levels.

But while workforce development is largely the responsibility of businesses, it needs to be complemented with good information, based on official statistics, on labour and skills trends. On this point, we are concerned with what we see as the erosion of the statistical base, to the extent that good decision-making by businesses could become increasingly difficult.

The ideal situation would be one in which infrastructure construction workforce needs could be met entirely by developing the capabilities of the population already in New Zealand. However, it is always likely to be the case that skilled workers will need to be recruited from abroad, and this means that immigration settings will need to accommodate the needs of infrastructure construction businesses.

Consenting processes

It is well known that complex and protracted resource consenting processes have also led to delays in starting and completing infrastructure construction projects. In light of this, BusinessNZ has been encouraged by the development of new legislation to replace the RMA with a number of replacement Bills expected over the next year, although the RMA continues much as in the past for the time being.

We are also encouraged by the development of the Fast-track Approvals approach. The relevant Bill has been reported back from the Select Committee and has remained largely intact.

BusinessNZ has also been closely involved with Ministry for the Environment officials as they develop policy proposals for Phase 3 of RMA reforms with a Bill replacing the RMA based on the enjoyment of property rights to be introduced mid-2025 which will go through a thorough Select Committee process.

We hope to see these reforms being finalised and used as the basis for the development of an enduring National Infrastructure Plan.

Encouraging optimal use of infrastructure by consumers

Realistically, there will always be a tendency for the capacity of different components of the infrastructure to be put under pressure by user demand. It will be important, therefore, for the Plan to incorporate measures to manage demand and ensure that system capacity is used efficiently.

We recognise that the potential to manage demand will vary in different areas of the infrastructure might be limited. This applies especially to healthcare and education. Demand for power use and, hence, the associated infrastructure is already managed through pricing, but there may be opportunities to encourage more efficient use of water and roads capacity in the same way.

The idea of pricing roads and water use is politically sensitive, but we are generally in favour of the user pays approach. Accordingly, we support the use of water metering to help avoid water shortages, and we support the use of road user charging instead of applying excise duties to vehicle fuels.

Judicious infrastructure investments can help to reduce greenhouse gas emissions

Road transport is the second most significant source, after agriculture, of greenhouse gas emissions in New Zealand, after agriculture. It will be important, therefore, for a National Infrastructure Plan to encompass investment approaches that will help to reduce emissions from vehicles.

One way of doing this will be to prioritise investments in road construction that will reduce congestion. Enabling road vehicles to travel at a constant speed, even if it is relatively high, is preferable to cause them to stop and start in road bottlenecks. Recent examples where this has been achieved include the extension of the Kapiti Expressway from Peka Peka to the north of Otaki, and the opening of new highway between Pūhoi and Warkworth. The result of these improvements has also been significant travel time reductions, especially at peak times.

We believe that there are many other opportunities in the State Highway network to achieve similar gains. More generally, there are likely to be opportunities in other classes of infrastructure to contribute to the achievement of climate goals, and business cases should take account of the opportunities.

Conclusions

We commend the New Zealand Infrastructure Commission for producing the Discussion Document.

Undoubtedly, New Zealand would benefit greatly from the development and implementation of an enduring National Infrastructure Plan. An effective Plan will help to improve the performance of the economy and the general wellbeing of New Zealanders.

However, as we have argued, to be enduring, it will need bipartisan support, and it will need to go beyond simply comprising the details of proposed infrastructure development projects. The Plan will not be effective unless it also includes details of supporting policy initiatives, especially measures addressing workforce development and consenting.

We look forward to seeing further details on what is proposed by way of the National Infrastructure Plan.

BusinessNZ contact for any questions:

Economist,

The BusinessNZ Network is New Zealand's largest business organisation, representing:

- Business groups [EMA](#), [Business Central](#), [Business Canterbury](#), and [Business South](#)
- [BusinessNZ](#) policy and advocacy services
- [Major Companies Group](#) of New Zealand's largest businesses
- [Gold Group](#) of medium-sized businesses
- [Affiliated Industries Group](#) of national industry associations
- [ExportNZ](#) representing New Zealand exporting enterprises
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises
- [Sustainable Business Council](#) of enterprises leading sustainable business practice
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use
- [Buy NZ Made](#) - country of origin licensing organisation for NZ-made products, NZ-grown ingredients, and NZ-coded software services

The BusinessNZ Network is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

The BusinessNZ Network contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and Business at OECD ([BIAC](#)).

