

## Fonterra submission on the draft National Infrastructure Plan

August 2024

Fonterra welcomes the draft National Infrastructure Plan and its ambition to signal nationally coordinated, predictable investment. As New Zealand's largest exporter, operating 28 manufacturing sites and supplied by more than 8 000 Fonterra farmers, we depend on robust transport, energy and other infrastructure to remain globally competitive.

Although New Zealand is among the OECD's highest per-capita infrastructure spenders, it ranks in the bottom decile for value-for-money. We therefore endorse the Plan's emphasis on integrated network planning, a "maintenance-first" funding hierarchy and transparent, stable policy settings.

We are encouraged by the Plan's call for better alignment of land-use decisions and cross-sector investments, which should lift utilisation and efficiency and materially improve infrastructure performance. Fonterra also supports the Commission's wider recommendations.

Establishing affordable, sustainable funding pathways, prioritising maintenance and right-sizing new builds, will smooth the project pipeline and relieve pressure on scarce resources.

Policy stability, workforce development and stronger public-sector capability are equally vital to delivering a reliable long-term infrastructure programme.

This submission outlines the infrastructure issues most critical to Fonterra's manufacturing and export operations and offers some specific feedback on the draft Plan's recommendations.

We welcome ongoing engagement with the Commission and look forward to the release of the final National Infrastructure Plan in late 2025.

### Infrastructure Priorities

Fonterra is a major user of infrastructure across New Zealand, with our milk tankers driving on rural roads across most of regional New Zealand, connecting them with our 28 manufacturing sites. We're also a major user of the rail network, moving roughly 50% of our finished product by rail (2m tonnes per annum) as well as receiving bulk inwards goods.

Energy infrastructure is equally important to Fonterra's operations and we are a major user of electricity, natural gas and biomass. These comments focus on transport and energy as two priority areas supporting export orientated operations and with significant infrastructure challenges that require addressing over the coming decades.

### Transport

As outlined in the draft Plan, the quantity and quality of the transport network is well below that of comparator countries and significant additional investment will be required over the coming years. The draft Plan's forward guidance shows that while investment intentions are continuing to grow, there is an emerging gap between intention and currently available funding.

The draft Plan confirms that New Zealand's transport network trails peer nations in both capacity and quality and that closing this gap will require substantial new investment. While projected spending is increasing, forward guidance shows a widening shortfall between investment ambitions and confirmed funding.

Fonterra therefore backs a coordinated strategy that maximises the combined strengths of road, rail and coastal shipping to lift efficiency, drive economic growth and help narrow that funding gap.

Retaining reliable links to rural and regional communities is crucial and complements investment in main arterial freight corridors: these routes keep people connected and enable the smooth flow of milk from farms to manufacturing plants and finished goods to ports.

Resilience must be built into all transport planning, especially outside the main centres. Road-surface quality has deteriorated sharply over the past decade, and weather-related closures are increasing, inflating operating costs and putting time-critical export chains at risk.

Against this backdrop, Fonterra strongly supports the draft Plan's "maintenance-first" stance. Ring-fenced renewal funding for high-productivity freight corridors and climate-resilient upgrades on critical routes would materially advance this goal.

The Plan could also consider the role of port infrastructure. Efficient, well-resourced ports underpin New Zealand's export competitiveness and will demand significant new investment.

Fonterra, Kotahi and Silver Fern Farms have jointly addressed this issue in our recent submission to the Transport and Infrastructure Select Committee's Inquiry into Ports and the Maritime Sector, which is attached for the Commission's reference.

## Energy

Fonterra is making significant investments into energy security through decarbonisation, including most recently an electrode boiler at Edendale, with two more approved. Similar electrification projects are under way at Whareroa, Edgecumbe and others. These new assets require timely transmission and distribution upgrades and therefore a focus on electricity infrastructure within the draft Plan is crucial.

The draft Plan notes an estimate of \$24 billion of electricity capex required over the coming decade into the electricity system, with 90 per cent in new generation, front-loaded over the next 15 years, so 'build-ahead-of-demand' network expansion is essential. We note the draft Plan highlights the importance of this crucial policy and Fonterra support recommendations that will enable Transpower to front-load investment in the electricity network.

With 28 sites nationwide, Fonterra also deals with numerous electricity distribution businesses (EDBs) as most of our load is connected via local networks. This gives us a good view of connection processes, and we see numerous inconsistencies in how EDBs manage upgrades and new connections, driven by limited capability and the absence of coherent national guidance. A standardised, well-funded framework for planning and financing network infrastructure is essential to keep electrification on track.

Natural gas remains another important energy source that is required at many of our North Island operations. Fonterra has over 70 gas boilers and process air heaters installed across multiple sites from Kauri in the north to Pahiatua in the south, totalling over 750MW of capacity.

Accelerated gas pipeline depreciation is driving sharp user-charge increases, despite the asset's likely role in transporting blended or renewable gases over the longer term. Fonterra continues to believe this infrastructure will continue to be crucial long into the future and a focus should be placed on considering how to better utilise it for biogases alongside the need for ongoing upstream investment, rather than accelerating depreciation.

We also recommend the final Plan consider recognising the role that biogas could increasingly play and encourage co-ordinated regional biogas projects using council and industrial organic waste. Currently, a lack of coordination and capability, particularly at local councils, means there is a missed opportunity to capture the value and extend utilisation of existing natural gas infrastructure.

## National Infrastructure Plan Recommendations

Below are comments relating to recommendations in the draft Plan.

### Affordable and Sustainable Funding

New Zealand's infrastructure demands now exceed what current funding settings can realistically deliver. A coordinated national approach is therefore essential to direct scarce capital to the projects that yield the greatest economic return, especially in land transport, where the gap between required and available funding is significant.

Fonterra supports a network-wide investment strategy that targets the corridors and assets that most improve freight efficiency and export competitiveness. User-pays tools can help, but sustained central-government co-investment is still crucial to unlock regional productivity and safeguard New Zealand's economy.

We therefore support:

1. A stronger advisory mandate for the New Zealand Infrastructure Commission to provide independent, long-range funding advice that shapes fiscal strategy.
2. Stable and predictable central-government funding streams for priority infrastructure.
3. A continuously refreshed, transparent project pipeline to give private investors confidence.

Taken together, these measures will make infrastructure funding both affordable and sustainable while maximising benefits to the wider economy.

### Clear the way for infrastructure

Transparency and accountability must apply to every infrastructure provider to protect consumers. Fragmented planning and investment rules currently create inefficiencies and confusion.

We support the Commission's call to overhaul the resource-management system and have lodged submissions, most recently on the National Direction consultation, urging faster, clearer consenting processes. Introducing a National Policy Statement on Infrastructure is one example of a sensible measure to creating an enabling environment for infrastructure, and we back its adoption.

Finally, we endorse the draft Plan's recommendations to ensure the right capabilities are retained within New Zealand to deliver the necessary infrastructure pipeline. Skills training will be crucial to support the infrastructure build pipeline over the coming decades and should be a core part of the final Plan.

### Start with maintenance

Fonterra strongly supports the Commission's decision to place maintenance and renewals at the top of its agenda. Elevating this issue to one of the four core priorities properly acknowledges both its strategic importance and the historic under-investment it has received.

A "maintenance-first" approach should be actioned immediately once the Plan is finalised. Legislating for every central-government agency to publish long-term asset-management and investment plans, as the Commission proposes, will give infrastructure users the certainty they need to commit to their own investments. This obligation should explicitly extend to the land-transport network through the Land Transport Management Act.

We also endorse the call for regular, transparent reporting on agencies' delivery against those plans. Ongoing scrutiny is essential to ensure that maintenance remains a genuine priority, not an afterthought.

### Right-size new investment

Enhanced transparency in Crown-funded projects, combined with rigorous project-assurance processes, will curb budget blow-outs and reduce the risk of costly deferrals or cancellations once work is under way.

We also endorse the Commission's call for systematic post-completion reporting so that accurate data on actual costs, delivery performance and realised benefits are shared across the sector.

**ENDS**