



Developing an enduring National Infrastructure Plan: Testing Our Thinking

Thank you for the opportunity to provide comment on the Testing Our Thinking Discussion Document.

Packaging NZ is New Zealand's peak body for the integrated packaging sector, with manufacturing, users and recycling members from across the country's business landscape.

The packaging industry is integral to New Zealand's wellbeing – from our exports and economic output, to meeting food safety and other requirements.

The sector is responsible for about 2% of New Zealand's GDP, and enables roughly \$60billion of exports and \$96billion of manufacturing revenue. It directly employs over 50,000 New Zealanders.

However, our lack of recycling infrastructure, and our approach to the packaging sector solely through the lens of waste creation, means we are now lagging behind many of our trading partners. We risk becoming uncompetitive on the global stage and the viability of some domestic businesses will be further threatened in the coming years.

We encourage the Infrastructure Commission - through the development of a National Infrastructure Plan and complementary pipeline – to ensure due consideration is given to the sector.

1. What are the most critical challenges that the National Infrastructure Plan needs to address over the next 30 years?

Fundamentally, we believe that clear prioritisation of projects and national goals is the biggest challenge we need to address.

As a nation, we have no plan and political cycles have created too much confusion and ad hoc response.

We believe that effective water and wastewater management, efficient transport, health and education infrastructure and reliable and secure access to affordable electricity offer clear benefits to all New Zealanders.

We endorse the need to develop a "shared, long-term view of our infrastructure expectations and priorities". We also believe more transparency is required about what we can't afford and what we will have to go without.

Evidently, we face a range of challenges, from our infrastructure deficit and domestic workforce constraints to funding and financing limitations and our need to enhance our resilience.

However, Packaging NZ is of the view that the most critical challenge we need to address is our inability to undertake long-term planning and provide the necessary political, regulatory and/or funding certainty required.

2. How can te ao Māori perspectives and principles be used to strengthen the National Infrastructure Plan's approach to long-term infrastructure planning.

Packaging NZ believes there is ample evidence of how mātauranga Māori principles can, and should, be used across our infrastructure system. We specifically believe that te ao Māori perspectives can inform our approach to climate adaptation and resilience.

3. What are the main sources of uncertainty in infrastructure planning and how could they be addressed when considering new capital investments?

- Lack of long-term planning at a central Government level;
- No long-term infrastructure pipeline;
- Policy/regulatory shifts occurring with changing political cycles;
- Lack of policy alignment i.e zero emissions goals clash with objective to increase recycling and circularity

For packaging specifically, the sector saw an increased focus under the 2017 – 2023 Labour-led governments but to very little effect. The focus solely on the waste creation aspect of the sector meant businesses faced rising costs but no clear objective set from government i.e was zero waste the goal or zero emissions or more recycling or increased product circularity.

Additionally, for our sector it has appeared that our domestic policy development occurs entirely in a vacuum with little to no regard for global trends, changing consumer demands and our place in the trading world.

More long-term thinking, the development of an infrastructure pipeline and a clear articulation of where we're going as a country would be useful to businesses when considering new capital investments.

4. How can the National Infrastructure Pipeline be used to better support infrastructure planning and delivery across New Zealand?

We believe the development of a pipeline will only be of use if there is clear political support to accompany it.

Packaging NZ does not believe that all infrastructure decisions can be depoliticised but there must be a category of infrastructure (i.e. critical services, health and sanitation) that falls into the bipartisan bucket.

The pipeline would better enable the private sector to develop the necessary skills and workforces required to deliver infrastructure projects, albeit there is likely a role for central government in this regard too.

Having increased certainty about what projects and where will be invested in and delivered would allow the private sector to better understand the gaps, where opportunities may exist for investment etc. In recent years, many packaging/recycling businesses have been reluctant to invest for fear of central government funding of a competitor.

5. Are we focusing on the right problems, and are there others we should consider?

Overall, Packaging NZ believes the Infrastructure Commission has articulated the problems well.

There are some areas where further consideration should be given though, including alignment with our key trading partners, especially Australia, and quicker adoption of applicable standards and technologies developed in other countries.

Packaging NZ also believes that the Infrastructure Commission in its discussion document affords climate change commitments specific consideration but no other statutory or international commitments with similar implications for infrastructure, including the Waste Minimisation Act.

6. What changes would enable better infrastructure investment decisions by central and local government?

With specific regard to packaging, a key change that would enable better investment decisions would be to amend the automatic 50 per cent allocation of the hypothecated Waste Minimisation Fund to local councils.

The way councils have used this funding has stymied private sector investment in some cases and distorted local markets.

7. How should we think about balancing competing investment needs when there is not enough money to build everything?

Balancing competing investment needs is addressed commercially by reference to the cost of and return on capital. A clear distinction is required between 'capital' and 'operating' cost, with underinvestment in maintaining what is needed and already existing an obvious priority. The private sector is assumed to be motivated to generate a 'return' greater than the cost of capital and over a shorter time frame than Government. Commercial investment in long term infrastructure is limited by the time-cost of money. By contrast, a responsible public sector has equal concern for the health and welfare of the population today and in 100 years.

The principal differences between Government and the private sector investing in infrastructure hinges on the definitions of 'long term' and 'fiscal risk'. The balancing of competing interests in public infrastructure needs to account for the non-monetary 'return' from such investment. We acknowledge non-monetary value is not as easily accounted for as financial / commercial returns but that calculation may be easier if the long term is understood to be 30 or more years. The "long term" is not aligned with the 3-year electrical cycle, suggesting a bipartisan infrastructure plan is essential.

Auckland's 2023 floods are an example of the fiscal and environmental cost of failing to maintain infrastructure. The fiscal costs of that event included the need to buy out 'red zoned' houses. The same flood very likely increased the cost of much future investment in the NZ economy by increasing the cost of household insurance. The same extrapolation can be made in relation to

underinvestment in long term waste management, with the inundation of the Fox River landfill resulting in substantial unbudgeted public cost providing remedial clean up.

While not directly related to the question of prioritising investment in new infrastructure, the 2023 Auckland flooding demonstrated the cost of under-investment in operating expenditure. It highlighted the risk of a singular or short-term focus in public sector planning and regulation, where a fashionable interest in increasing housing density was allowed to override an understanding of the capacity of existing stormwater infrastructure and the cost of retrofitting additional capacity. Viewed from the broader and long term public sector interest, the failure to provide and maintain stormwater infrastructure likely contributed more material to landfill and produced more waste in one event than avoided by decades of Government regulation of waste minimisation.

From a PacNZ perspective, the sufficiency of investment in "circular" economic investment (eg recycling) enabling compliance with NZ's Trade Agreements and or contractual conditions of supply is a commercial risk in the shorter term and a public economic risk in the longer term. The loss of capacity to meet contractual and importing country's 'circular' environmental standards will limit the value added potential of our export sector.

The lack of investment in NZ's electricity infrastructure sufficient to minimise investment-critical spikes in power price is one of many factors likely to impede proactive private sector investment in a more circular economy generally and recycling in particular. Indeed, the inability to secure reasonably priced and long term contracts for necessary electricity has been cited as one of a number of reasons for the closure of NZ's domestic paper recycling capacity in Auckland.

From an overall perspective, Government infrastructure investment needs to be focused on predictable public interests in the 30+ year time frame. It needs to prioritise those forms of infrastructure the value of which cannot be captured by the private investor, albeit it can provide the regulatory framework for sufficient ROI to attract such investment, for example through PPP.

8. How can we improve leadership in public infrastructure projects to make sure they're well planned and delivered? What's stopping us from doing this?

9. How can we build a more capable and diverse infrastructure workforce that draws on all of New Zealand's talent?

10. What approaches could be used to get better value from our infrastructure dollar? What's stopping us from doing this?

11. What strategies would encourage a better long-term view of asset management and how could asset management planning be improved? What's stopping us from doing this?

12. How can we improve the way we understand and manage risks to infrastructure? What's stopping us from doing this?

13. How can we lower carbon emissions from providing and using infrastructure? What's stopping us from doing this?

We saw a significant focus on decreasing emissions from the waste sector in recent years.

Yet we also saw an increased desire for more recycling and circularity.

All the while, packaging manufacturers must continue to meet international standards and uphold stringent hygiene and sanitation requirements.

We can decrease emissions in our sector, but we need central government and policymakers to be fully cognisant of, and transparent about, the potential trade-offs.

14. Are any changes needed to our infrastructure institutions and systems and, if so, what would make the biggest difference?

Again, with specific regard to packaging, we believe increased collaboration with the private sector would be valuable.

We do not believe that government agencies and officials understand the realities of the sector and the competing demands and requirements we face both domestically and internationally.

There needs to be a formalised mechanism by which packaging businesses, waste management and recyclers can work meaningfully and proactively with government.

Packaging NZ strongly believes this would promote better outcomes.

15. How can best practice network pricing be used to provide better infrastructure outcomes?

16. What regulatory settings need to change to enable better infrastructure outcomes?

The superficial answer to this question is well understood in the form of reform of Resource Management laws and, more immediately, greater use of existing powers of national direction including both NPS and NES.

Packaging NZ would recommend the Infrastructure Commission take advantage of its mandate to "transform infrastructure for all New Zealanders" by promoting the need for a more fundamental change in approach. Specifically, we recommend the Commission identify:

- That a significant problem exists where advocacy and advancement of different parts of NZ's infrastructure is siloed if not piecemeal, with limited capacity for distinguishing between distinct and superficially unrelated investments.
- Deciding on the need for and priority between equally desirable infrastructure is ultimately a political decision. It more often than not requires a decision as to scale and location rather than a decision for or against something. NZ's well-being requires sewage treatment works, electricity transmission, and port infrastructure, suggesting the correct questions are those related to 'where and how much'.

Thank you for your consideration of our submission.

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President

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