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*Infrastructure Commission*  
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**Wellington**

### **SUBMISSION FROM NZAA ON (*He Tuapapa kit e Ora | Infrastructure for a Better Future*)**

1. The NZ Automobile Association (NZAA) appreciates the opportunity to comment on (*He Tuapapa kit e Ora | Infrastructure for a Better Future*). The NZAA represents over 1.7 million members.
2. The NZAA would be happy to meet and discuss this submission at a suitable time.

#### **Summary**

3. The AA agrees that many of the issues raised by the Infrastructure Commission are significant and worth discussing. That said they involve numerous agencies and institutions and are also being discussed in many other quarters. We have proposed a range of measures which we believe lie in the hands of the Infrastructure Commission itself which if carried out would add significant value to the work of other agencies. These are mostly to do with benchmarking and knowledge dissemination. We have also provided views on some of the key questions the Infrastructure Commission has posed which relate to the AA's role as a member-based motoring organisation.

#### **Submission**

4. We shall address the discussion document in order of the matters of most significance, which is not the order the questions are raised in the document. For your convenience we include the Infracom question number after our submission paragraph number.
5. (Q1-4) The AA strongly endorses the Infrastructure Commission's acknowledgement of the need for change in the infrastructure sector in order to deliver a better future for the country and agrees with the vision, principles, outcomes and needs identified in the strategy consultation document. We suggest, however, that "effective" also be included in the outcomes with the definition "Infrastructure decisions achieve the stated outcomes sought as demonstrated by measurable improvements." This may seem to state the obvious but the omission of "effective" leaves scope for proposals which end up mired in controversy and investments, which while efficient, equitable or affordable in their own context, are not as effective as alternatives in a different context. Substitute technologies are an example of this.

## National Planning System

6. (Q14) The AA endorses the proposal to link infrastructure planning to population policy. While New Zealand already had infrastructure deficit problems decades ago. The addition of almost a million immigrants since 2011 (particularly in Auckland) has imposed significant extra demand. The result has been that forecasts based on previous BAUs have trailed actual demand and local authorities not been able to adapt quickly enough. Immigration policy needs to be integrated with planning so that the long run marginal benefits migration brings, are balanced by the costs including demand for infrastructure, housing, government services, local government services and environmental impacts including the shift in responsibility for emissions from one nation to another.
7. We are concerned the consultation document misses the “elephant in the room” which is the politicisation of infrastructure decisions at central government level in New Zealand. There are wild swings in priorities between elections, in transport’s case often legislative change and inevitably new Government Policy Statements. More recently, with the revisiting of the NZ Upgrade decisions, there have also been big changes within a single electoral cycle. This is detrimental to the infrastructure sector, but more importantly to the current and future wellbeing of all New Zealanders. Other nations are much more adept at achieving consensus on the overall pipeline of projects, albeit with differences in policy emphasis at the margins. The Infrastructure Strategy will help with the cross-infrastructure issues but there is a clear need to keep working towards a way to achieve cross-party agreement on the scope, priority and indicative timing of the big national and regional projects in NZ.
8. Transport benefits from hypothecated central government revenue from petrol taxes and road user charges supported by local government rates. However, even this model is now starting to fray at the seams as transport is being consistently called on to fund a wide range of community access and development activities that frequently delivers little or nothing in the way of benefits to road users who are paying these user charges.
9. (Q33-34) The AA strongly endorses the goal of improving the procurement and delivery of infrastructure projects particularly economic prioritisation. We note a political trend for ever more expensive and impressive sounding infrastructure project announcements and this is rife with risk. There is no need for “the most expensive roading project in the world” (p121) to be built in New Zealand or for large projects to face regular (and predictable) cost overruns. There is an entire international academic community devoted to identifying the sources of megaproject disasters. The AA endorses the objective of injecting this wisdom into the processes for identifying, funding and managing particularly the highest value projects. Exactly how this is implemented is for government to determine. Infracom’s academy proposal is one method. In general there is a role for Infracom to act as a conduit to inject the accumulated wisdom on successful project management in the infrastructure sector into those agencies which carry out these projects but also in association with the Office of the Auditor General audit and benchmark the capability of these organisations to effectively manage projects of various levels of size and complexity.
10. (Q21) The AA supports extending the 10-year designation period for major infrastructure designations consistent with spatial planning. We appreciate the ongoing impact speculative multi-decade designations can have on private property rights. We therefore recommend the period only be extended for proposed infrastructure which satisfies specified criteria (e.g. national infrastructure, meets a reasonably likely to be built at some point in the future test).

## Local Government

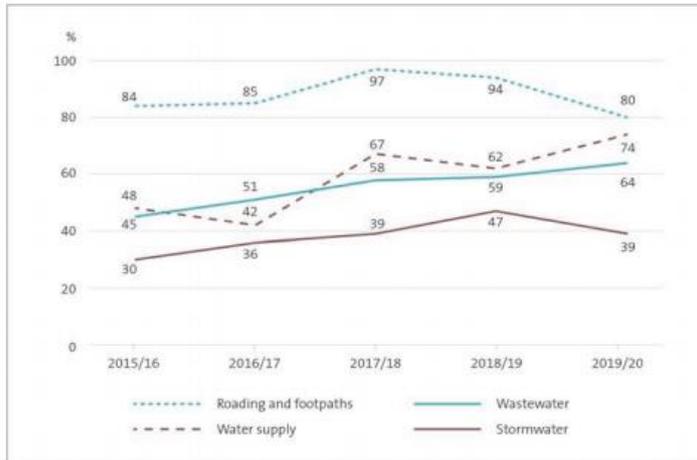
11. (Q25-27) There is no question that the various levels of government and the private sector could be better integrated to provide faster, lower cost infrastructure solutions. The AA notes the Review into the Future of Local Government and the three waters review are taking place independently of this strategy consultation. Our present system is siloed with individual agencies with narrow mandates and often distinct funding streams. This has the disadvantage that in large urban centres the lack of cohesion between agencies can result in systems that do not achieve ideal levels of integration. In provincial centres, however, it has the advantage of benefits from specialisation and potentially efficiency but makes it harder for agencies to come together to plan, equitably fund and deliver infrastructure that deliver broad outcomes (e.g. new communities).
12. Further government and local government institutional change, including accompanying funding streams, are needed to enable these broader outcomes to be funded and delivered equitably. While our two-tier governance system is often admired by Australians, our observation is Australian state governments are much better at planning, funding and delivering infrastructure than New Zealand institutions (both central and local government) due to their clear mandates and funding streams, spatial focus and holistic focus on outcomes.
13. (Q25-27) There is no question that the various levels of government and the private sector could be better integrated to provide faster, lower cost infrastructure solutions. The AA notes the Review into the Future of Local Government and the three waters review are taking place independently of this strategy consultation. Decisions made as part of those reviews will have a direct impact on the ability to deliver any strategy. We suggest integrating measurement and management is a vital step for any goal to achieve effective outcomes. A useful role for Infracom is to help close the feedback loop between the Office of the Auditor General's monitoring, and implementing performance improvement measures across the various agencies involved in the provision of infrastructure. It would help if such measures allowed international benchmarking – there is a body of international literature on this. The best incentive for Infracom to tie funding from central government to such performance – as is the case with Waka Kotahi in the transport sector.
14. (Q28) There are three problems with local government making better use of existing funding and financing tools to enable the delivery of infrastructure.

The first is the problem with local government governance where an increasing number of councils are being revealed to have significant governance flaws. No amount of management skill can obviate poor governance decision-making. If funding is diverted by elected councils from infrastructure projects with high benefit/costs to marginal or negative benefit/costs management's hands are tied. The Office of the Auditor General has reported on Council underinvestment for years. Clearly this is not sufficient to change behaviour.

The second is the state of local government capability and competence at planning, delivery and ongoing management which the Office of the Auditor General has highlighted as an ongoing concern.

Source: Insights into Local Government 2020 p16

**Figure 7**  
Renewal capital expenditure compared with depreciation for all councils combined (excluding Christchurch City Council) by infrastructure asset category, 2015/16 to 2019/20



Source: Analysed from information collected from councils' annual reports.

The third problem is that local government has been perennially under-resourced. This has been illustrated by the recent OAG Report *Insights into local government*. Under-resourcing has led to cost recovery strategies which have not necessarily incentivised building anything and often led to depreciation reserves being used for other purposes. The suggestion (p103) that Crown land should pay rates would be one means by which IRD collected funds could be redirected to local government. The problem of tourist centres without large rating bases suffering infrastructure deficits (particularly where the attraction is the “Pure NZ” environment) is the result of an incomplete funding loop where GST and income tax collected from private operators is not reinvested into local infrastructure. These sources of revenue could be allocated by central government subject to Infracom monitoring.

Similarly, many high growth centres have limited ability to fund and finance necessary developments with existing local government funding tools. There is a clear need to provide (competent and appropriately scaled) local government entities with revenue streams (e.g. shares of GST generated in a region) that are better tied to this growth to ensure they have sufficient funding for required infrastructure development.

The AA is sceptical of ‘value capture’. It is complex and while it has considerable conceptual appeal, we have seen few examples of where it has been successfully implemented in practice as a major funding stream for transport projects overseas. The solution to this problem is, once again, in the hands of the Review of the Future of Local Government.

15. (Q11/12/26/33) There is a clear role for Infracom to provide a cross-sector standards setting and integration for information systems, particularly for asset management, documentation, and mapping. This would improve communication between sectors, reduce maintenance costs and road congestion due to multiple pavement openings for different purposes (given most services use the road corridor).

## Congestion Charging

16. (Q19-20) Introducing congestion charging has proven to be difficult globally. AA surveys have found limited support for European style cordon charging (and that support mostly from those who thought they could avoid it) and for all the effort to implement them successful global examples remain scarce. We note the International Transport Forum has published “Decongesting our cities” a summary and conclusions from 183 Roundtable. Effective policy is policy that achieves its aims rather than ending up stalled.
17. (Q5/Q11/Q35) One of the key drivers of transport demand is employment contracts which stipulate a place of work. While this may be valid in many situations in many others it may impose more costs on society than benefits to the employer. The AA would recommend that Infracom support research into how greater usage of telepresence could affect infrastructure.

The AA is also concerned that redeployment of road lane space is managed carefully with respect to overall Greenhouse Gas emissions. Congestion heavily reduces the efficiency of internal combustion vehicles resulting in greatly elevated emissions. While public transport is more efficient on a per vehicle basis its efficiency on a per lane basis depends on vehicle through-put which varies by time of day. The AA recommends that Infracom and the Climate Change Commission monitor regional Greenhouse Gas emissions by sector to ensure policy changes are effective at achieving their purpose and the purpose of the infrastructure.

18. (Q19) The AA acknowledges that congestion charging, if implemented correctly, has the potential to offer substantial benefits for road network performance while also imposing costs both for motorists who pay the charge and those who are “priced-off” the network. We support further investigation of congestion charging in Auckland and Wellington city centres on the basis that public transport coverage is sufficiently comprehensive to provide a reasonable alternative for most commuters. We have strong reservations about the merits of congestion charging in other locations given the disparate nature of trip origins and destinations and the manifest inability of public transport to meet these needs.
19. It is important to draw a clear distinction between congestion charging and road pricing. Congestion charging is managing demand in city centres, where there is a need to reallocate road space to improve access, liveability etc. Road pricing includes congestion but ultimately encompasses the full costs of road use (e.g. maintenance, environmental externalities etc). Ultimately, the aim of road pricing, like pricing of utilities, is to provide information to providers on whether or when there is likely to be sufficient demand (and revenue) for funding infrastructure improvements.
20. We are concerned the Infrastructure Commission’s strategy primer document has failed to draw this distinction and like other current government and local government strategy documents has adopted almost a singular focus on road pricing to manage demand.
21. Based on trip patterns, forecast land use changes, and current planned transport investment, it is the AA’s strong view, that our major urban centres will continue to require ongoing investment in roading improvements alongside significantly increased investment in public transport and active modes infrastructure. We note that roads as transport corridors can, and have been, converted to alternative uses when there is sufficient current or projected demand to justify this. We also note that comparator cities both in Australia and North America continue to invest in significant strategic roading improvements alongside other modes. We recommend the final Infrastructure Strategy make clear that achieving the 2050 vision and desired outcomes will require ongoing investment in all transport modes – including improvements to major urban roading networks.

22. (Q20). The AA notes equity impacts have not been a huge focus in the few other cities that have successfully implemented congestion charging to date. This reflects the dense nature of their central cities, which in turn supports comprehensive public transport systems that often offer much faster travel times than private vehicles. This is one reason why we are sceptical of the potential for congestion charging beyond city centres to provide meaningful overall improvements in accessibility both for people paying the charge and those who will not or cannot and therefore suppress or delay their trip or use an alternative mode.
23. We consider the best way to address equity impacts from congestion charging lie in careful scheme design and mitigation. Comprehensive modelling will be needed to understand trip demands in an area being considered for a congestion charge, the expected responses from the imposition of the charge, any boundary impacts, the ability of the existing public transport services to meet the needs of displaced motorists and any mitigation both to the road network and to public transport services to better meet these needs.
24. A “successful” congestion charging scheme is dependent on removing significant numbers of motorists from the area during the period in which congestion charges apply. Any move to exempt a particular group of people is therefore likely to undermine the objectives of the scheme and we would caution against doing so. “No exemptions” is a basic principle of pricing and taxation policy and including even a single category risks ongoing demands for new exemptions. We also note that overseas examples have adopted no or very few exemptions and this has been an important factor in their success. We would recommend the welfare system be used to reflect any additional costs low income people may face from congestion charging.

## **Conclusions**

25. The NZAA welcomes the opportunity for input on Infrastructure Strategy and requests the issues we have raised above are addressed. We look forward to being further involved in this process to ensure a better outcome for road users
26. The NZAA will be pleased to provide any further comment as appropriate. Please contact Peter King (contact details below).

Yours sincerely

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