

Treasury Report: National Infrastructure Plan: Review of Submissions

Date:	29 October 2009	Report No:	T2009/2420
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Action Sought

	Action Sought	Deadline
Minister for Infrastructure (Hon Bill English)	Agree that the Infrastructure Unit post this report on its web site	None
Associate Minister for Infrastructure (Hon Steven Joyce)	To note	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
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Minister of Finance's Office Actions (if required)

None.

Enclosure: No

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Executive Summary

116 submissions were received by the National Infrastructure Unit on the “Infrastructure: Facts and Issues” document released in September. Most were supportive of the document and the development of a National Infrastructure Plan, although there was a range of views as to what type of plan this should be. This was in keeping with a general trend that many submissions were contradicted by others and that there was often no obvious consensus in many areas.

Many of the submissions made detailed comments on specific paragraphs and other editing suggestions. These will be considered and reflected in the draft Plan we will provide to you in early December. The more generic or thematic comments made, where validated, will be reflected in the redrafted Plan.

Several submitters emphasised the need for regulatory certainty to establish a stable investment environment for private investors. An underlying theme in many submissions was the need to respect property rights in order to give infrastructure developers and owners the confidence to invest. We consider that it would be appropriate to give greater weight to this issue in the Plan.

Associated with this was the view that the overall strategic direction is important; that the Plan should be driven by goals. While the principles outlined in the discussion document were generally well supported, it was felt that without this strategic direction and goals they would be ineffective. Our new drafting will aim to give readers a better sense of the government’s direction and goals.

Some submitters stressed the interconnection of different infrastructures, and this led to some advocating greater coordination between projects and more centralised direction via the Plan. Against this, other submitters expressed high scepticism at the desirability of central planning.

In addition, several submitters mentioned their concern and/or frustration with current legislation, in particular the Resource Management Act and the Commerce Act. More than one submitter requested that a comprehensive review of the Commerce Act be undertaken. Others acknowledged that a review of the Resource Management Act is currently under way, but commented on the variable and uneven interpretation and application of that Act by local authorities. We will pass these comments on to the team working on the RMA.

Several submissions mentioned the need to include the resilience of infrastructure in the Plan. Many thought the resilience of solutions should be factored in decision making around projects. This was especially acute for essential services such as the national electricity grid.

Submissions on the various sectors elicited a number of comments and suggestions:

- For transport, there were calls for better demand management for road use, a desire to see a more strategic approach to freight transport, and recognition of the link between transport infrastructure and tourism;

- For energy, it was suggested that whilst new network build is important, the maintenance and renewal of existing infrastructure is more important, and that changes to the regulatory regime are desirable. More emphasis on energy efficiency and sustainability was also advocated by some;
- For water, many saw irrigation and water storage having a major role in maintaining and developing New Zealand's rural capital and that there should be improved water allocation mechanism between competing uses (especially hydro generation and irrigation).

In addition, there were several other unconnected issues raised in various submissions including fuel supply infrastructure, spatial and urban form considerations, and digital infrastructure.

Some submissions had ideas that involved expanding or deepening the scope of the plan from its current boundaries. While we won't be able to action most of these in the December draft there are a number that we will raise again for your consideration when you are deciding the scope of the next major iteration of the Plan.

Communications

If you agree, we propose placing this report on the Unit's website.

Recommended Action

We recommend that you:

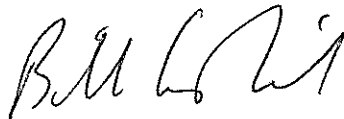
- a **note** that most of the 116 submissions received on the "Infrastructure: Facts and Issues" document supported the development of a National Infrastructure Plan;
- b **note** that a wide range of views and comments were received and that many contradicted others;
- c **note** that the main themes to emerge where there was a broad consensus were:
 - i. the need for regulatory certainty;
 - ii. the need to consider the resilience of infrastructure in planning;
 - iii. the need to respect private property rights; and
 - iv. recognition of the interconnection between different types of infrastructure and/or modes.
- d **note** that the redrafted Plan will address, where validated, the more generic or thematic comments made, in addition to the detailed comments on specific paragraphs and other editing suggestions which the submissions made;

e **agree** that this report can be placed on the National Infrastructure Unit's website.

Agree/disagree.



Len Starling
**Manager, National Infrastructure Unit
for Secretary to the Treasury**



Hon Bill English
Minister for Infrastructure

Treasury Report: National Infrastructure Plan: Review of Submissions

Purpose of Report

1. This report summarises the submissions received by the National Infrastructure Unit on the “Infrastructure: Facts and Issues” document released in September.
2. 116 submissions were received. Most were supportive of the document and the development of a National Infrastructure Plan.
3. This report records significant issues raised which were either not covered in the document, or where the document erred in the view of the submitter. Many correspondents expressed alternate views to the document or suggested changes, but only a minority of submissions provided supporting data or evidence with the views expressed. Many of the suggested changes were largely opinion based.
4. This report is therefore not a comprehensive list of all views received, many of which were repetitive and supportive of the document, but rather outlines significant issues on an exceptions basis.

Overview

5. Submissions were received from industry associations (23); business groups, chambers of commerce and the Combined Trade Unions (7); individual companies (29); local government and associated regional bodies (19); government departments and Crown entities (7); and individuals or private advocacy groups (31).
- 6.
7. Many of the submissions made detailed comments on specific paragraphs and other editing suggestions. These will be picked up in the redraft of the document rather than addressed in this report.
8. Almost all submitters supported the concept of a National Infrastructure Plan. However there was a range of views as to what type of plan this should be. Some submissions sought a high level of centralised coordination and planning, while others were wary of central planning and were more concerned at removing what they perceived as blockages to efficient decision-making.
9. Feedback on the principles and many of the issues was in many places contradictory. For example, many submitters strongly supported rigorous cost-benefit analysis for projects, while other submitters advocated a reduced emphasis on cost-benefit and the inclusion of other criteria. Some of the issues raised lie outside the scope of both the Unit and the Plan (eg complaints about governance within local government) or made recommendations to drive growth (many of which were not specifically infrastructure related – for example, science & innovation and skills policies).
10. This report will highlight the main issues raised by the submitters, grouped into themes. These are either issues which several submitters raised and which warrant further consideration, or are the significant issues raised which were not covered in the initial document.

General and cross sectoral issues

11. Several submitters emphasised the need for regulatory certainty to establish a stable investment environment. They stressed the importance of a principled approach based around a predictable, consistent and efficient regulatory regime. There was a broad consistent message that regulatory certainty is essential for private investors (including offshore investors) to participate and for markets to operate in an efficient and fair manner.
12. Associated with this was the view that the overall strategic direction is important; that the Plan should be driven by goals. While the principles outlined in the discussion document were generally well supported, it was felt that without this strategic direction and goals they would be ineffective. A few submitters also observed that project funding should be identified and allocated according to the strategy outlined in the Plan.
13. We are drafting new sections covering vision and strategic direction. These sections will aim to give readers a better sense of the government's goals and directions.
14. Some submitters stressed the interconnection of different infrastructures, and that there is a need to recognise that projects undertaken by one infrastructure provider (eg underground cabling) can affect another (eg roads). This led to some advocating greater coordination between projects and more centralised direction via the Plan. Against this, other submitters expressed high scepticism at the desirability of central planning.
15. In addition, several submitters mentioned their concern and/or frustration with current legislation, in particular the Resource Management Act and the Commerce Act. More than one submitter requested that a comprehensive review of the Commerce Act be undertaken. Others acknowledged that a review of the Resource Management Act is currently under way, but commented on the variable and uneven interpretation and application of that Act by local authorities. For example, one submitter observed that obtaining a non-notified RMA consent (for which the statutory requirement is 20 days) in Auckland can take between just over 60 days to more than 120 days depending on which one of the four city councils is handling the request.
16. We will pass substantive comments related to the RMA to the project team working on this issue.
17. One interesting suggestion made in relation to the consenting process was that a single, omnibus consent process covering consents under all Acts be established. This would entail central government agencies and local authorities coordinating project approvals in one place under a single process – in effect, a “one-stop shop”. This would enable an infrastructure development to be considered and approved more smoothly than at present. It could cover the necessary consent processes under several Acts, including the RMA, the Local Government Act 2002, the Public Works Act 1981, the Foreshore and Seabed Act 2004, the Historic Places Act 1993, the Reserves Act 1981, and the Land Transport Management Act 2003.
18. Several submissions mentioned the need to include the resilience of infrastructure in the Plan. Many thought the resilience of solutions should be factored in decision making around projects. This was especially acute for essential services such as the national electricity grid.
19. There was also a view expressed that the Plan should contain within it a means of addressing the effectiveness of overall government involvement in infrastructure ownership, management and operation. Several submissions supported the Plan taking a ‘whole-of-life’ approach to infrastructure, both when assessing whether to proceed with projects and maintaining them once built. A few also suggested benchmarking the performance of New Zealand infrastructure against international comparators.

20. Many submissions supported a greater role for central government in coordinating or planning infrastructure development. This could take the form of setting priorities for associated infrastructure directly under government ownership or control, or it could take the form of establishing institutions for cross-sectoral coordination of infrastructure plans (eg the planning of schools and land use planning for the supply of water, sewage and local and national road services) or the joint planning of roads and rail. Other submissions however warned against this degree of government intrusiveness, and that central (and local) government's role should be limited to setting and administering the regulatory framework, leaving it to infrastructure owners to manage the interfaces with other kinds of infrastructure.
21. While many submissions supported the use of robust cost-benefit analysis in deciding projects, there was some criticism that this tool is too inflexible. At least one submission stated that economic growth is inadequate as a single measure for infrastructure project selection, and argued that in the case of transport infrastructure there are unpriced attributes not accurately captured by measures of economic activity.
22. An underlying theme in many submissions was the need to respect property rights in order to give infrastructure developers and owners the confidence to invest. Related to this, one submission raised the unique role and rights that iwi have in infrastructure development. It pointed out that, post-Treaty settlements, there will be many opportunities for greater Maori involvement in infrastructure planning, funding and delivery.
23. We agree that more weight should be given to these issues and will make the appropriate amendments in our drafting.

Transport issues

24. Many submissions addressed the document's transport section. These broadly fell into three categories:
 - Road-use demand management, with views including a need for more efficient road pricing and a recognition of the interrelationship between modes (road, rail and coastal shipping);
 - A desire to see a more strategic approach to freight transport, with again particular emphasis on coastal shipping and port infrastructure, and that industry's interrelationship with road and rail;
 - Recognition of the link between transport infrastructure and tourism.
25. Several submitters supported the need for improved road pricing as a way of enabling a fairer re-balancing between modes, and as a way of reducing the need for further capital to be spent on new roads. The assumption underpinning most of these submissions is that road users do not currently bear the full cost of roads, and that consequently rail and coastal shipping are unfairly disadvantaged. While there were a range of views on the efficacy of cost-benefit analysis for determining projects, on balance the majority appeared to favour a more rigorous process for approving new road investment.
26. The second theme to emerge from the transport submissions was the view that road, rail and coastal shipping infrastructure are inter-dependent, and that it is therefore important to have a national freight strategy and (from some submitters) a national ports strategy, including where necessary some rationalisation of port investment. There was a concern from a few submitters that road and rail policies may distort freight flows, to the detriment of coastal shipping. One submission in particular raised a concern over the capacity of

networks and ports in the upper North Island to manage future freight volumes in the medium to longer term.

27. In general, a number of submissions felt that the importance of coastal shipping had been underplayed in the document. However one submission did draw out a point from the document that although ports carry over 99% of both exports and imports by volume, airports account for 15% of exports and 21% of imports by value.
28. The importance of airport infrastructure, both for international trade and domestic travel was also raised by a number of other submissions. A few stressed the critical linkage between airport infrastructure and the success of the tourism sector, and that airport planning faces long time horizons complicated by local funding difficulties and regulatory failure interfering with investment (especially at the three largest international airports). A link was further drawn with ensuring this infrastructure is in place in time for the with the Rugby World Cup in 2011.
29. Finally, one submission linked a National Cycleway infrastructure with tourism industry potential.

Energy issues

30. A number of those submissions which addressed energy issues raised the need to cover resilience of the network. There was a theme that whilst new network build is important, maintenance and renewal of the existing infrastructure is more important. This was seen as particularly applying to the transmission and distribution networks whose assets it was claimed contain three times the amount of generation assets. It was felt that insufficient attention is paid to those distribution assets, and that poor asset management is a bigger problem than underinvestment in new generation.
31. Submitters raised concerns with the regulatory settings in the energy sector, claiming that these had a negative impact on investment. Almost all the substantive issues raised have been previously raised with the relevant sector agencies as part of other submissions processes. We also note that some of the concerns fall within the ambit of Ministerial review of the sector which is currently under consideration. However, the electricity submissions reinforced the view held by many of the other submitters that the government should ensure that the regulatory environment is consistent and based on sound policy principles.
32. Some submitters considered that the document overlooked the importance of the distribution network for gas and electricity.
33. A number of submitters emphasised the importance of a “smart grid” for the infrastructure of energy distribution. In the smart grid customers stand in the centre of the industry - a demand driven model - and are able to choose how to produce and consume power in an optimal and efficient manner. Demand side technologies identified in the paper included, distributed generation, smart networks, and smart metering.
34. Other submissions felt that the Plan needed to place greater attention on investment in energy efficient infrastructure and on increasing the supply of renewable energy. These concerns were often expressed in tandem with views that demand side technologies may enable improved use of existing infrastructure reducing the need to increase bulk generation capacity.
35. The submissions highlighted the increasing convergence within the electricity sector. Convergence relates to the exploration of synergies between electricity and other

infrastructure networks, such as the use of electricity networks to deliver broadband services.

Water issues

36. A number of submissions were enthusiastic about the benefits and opportunities that an enhanced rural water infrastructure would create for New Zealand. The development of irrigation and water storage would create considerable opportunities for considerable economic, cultural, social and environmental benefits. Submitters saw irrigation and water storage having a major role in maintaining and developing New Zealand's rural capital.
37. The primary issue for urban water over the coming years is aging infrastructure and the pace and funding that will be required to replace it. Some submissions argued that this requires central leadership to address the current fragmented responsibilities which are currently not conducive to the long-term sustainable management of, and efficient investment in, New Zealand's water resources. The existing institutional arrangements and regulatory constraints were criticised and there was support for a simpler, more streamlined consents process (similar to the one-stop shop concept covered in paragraph 13 above).
38. Associated with this was a more frequent observation from submitters that there should be improved water allocation mechanism between competing uses (especially hydro generation and irrigation). There was a view that water (at least in the rural context) needs to be seen as an economic resource, and allocated and managed accordingly. There was some support for developing better demand management, including making it easier for water retailers to implement water metering (including providing for cost-effective metering of waste water). This led some to suggest the introduction of water trading rights and placing an economic value on waste water discharges.
39. Other water issues which submissions raised for inclusion in the Plan were the need to cover flood protection, storm water management, water harvesting and storage, and the distinction between irrigation in general and specific farm irrigation schemes.

Other issues

40. A number of other unconnected issues were raised in various submissions.
41. The security of New Zealand's fuel supply, coupled with price fluctuations, was raised as a concern by some. One submission in particular emphasised the criticality of fuel supply to Auckland airport as the primary distribution point for aviation services across the nation. Recent rationalisation of the market has created uncertainty and potential constraints to development. The importance of the Marsden Point refinery for New Zealand's fuel supply was also missing from the document.
42. Several submissions suggested that spatial considerations needed to be included within the Plan. These included exploring the critical relationship between spatial form and development, and the direction of infrastructure investment. These views often overlapped with comments on urban design and integrated planning. One submission emphasised the usefulness of spatial data to support decision-making.
43. A few submissions argued for digital infrastructure to be given higher prominence in the Plan, with one submission suggesting that the entire Telecommunications section ought to be re-titled "Digital Infrastructure". It was argued that digital is the ultimate cross-sector

enabling technology, one that is fast evolving, and that the document overlooked several important components of the emerging national digital infrastructure. Others mentioned in similar vein the merging of voice, data, and entertainment media via the digital technology.

44. Some submissions suggested that there were a number of sectors or issues that were missing from the document and ought to be considered for inclusion in the Plan:

- Forestry
- Solid waste
- Spatial form
- National standardisation
- Funding certainty

45. While we won't be able to action most of these additions in the December draft there are a number of options that we will raise again for your consideration when you are deciding the scope of the next major iteration of the Plan.