



**Submission  
to the  
National Infrastructure Unit  
from the  
Wellington Regional Chamber of Commerce  
Infrastructure Facts and Issues: Towards the First National Infrastructure Plan  
October 2009**

**Introduction**

The Wellington Regional Chamber of Commerce has membership of 1,200 businesses in Wellington city and represents a regional hub of Chambers of Commerce with a further 4,500 businesses as members. While most of our members are in the SME category we also have as members 15 of the largest 20 companies in New Zealand. The Chamber promotes policies that reflect the interests of the region's business community and the development of the Wellington economy.

The Wellington Regional Chamber of Commerce welcomes the opportunity to comment on *Infrastructure Facts and Issues* (the document) as the basis for a proposed National Infrastructure Plan for New Zealand. The document is a very good description of New Zealand's existing infrastructure and the challenges faced and it outlines what we think is a robust approach to developing the plan

This submission strongly supports the general case for increased investment in infrastructure and the approach outlined in the document for determining how projects should be selected and whose responsibility they should be. It also outlines some Wellington specific infrastructure issues that we think the government should be aware of.

**Submission**

New Zealand has experienced insufficient investment in infrastructure over the last two decades and consequently has infrastructure weaknesses in many areas which are impacting on growth and productivity in our economy. These infrastructure weaknesses are particularly apparent in land transport, telecommunications, and electricity.

Increased infrastructure investment, as well as increased investment generally, is a key requirement for raising New Zealand's productivity levels and thus its economic growth. Consequently we fully support the government's renewed focus on infrastructure.

As the document says, infrastructure development is the responsibility of the private, local and central government sectors. In our view government policy has moved from the excesses of the “think big” policies of the 1970s and early 1980s to a situation of underinvestment in infrastructure largely due to disincentives for the private sector to invest and a reluctance of government to intervene.

A pragmatic, centre ground position is needed which acknowledges that due to market failure, there is a role for central and local government in infrastructure provision.

We are pleased that the document recognises this and that as well as the stated objectives of improving the government’s capital asset management processes and regulatory reform to facilitate increased private sector investment, a step change in the level of public sector investment is proposed.

However, the government must be very careful its increased investment in public infrastructure does not crowd out the private sector. In this regard we would also hope that the National Infrastructure Plan acts as a guide rather than a central plan as such.

We look forward to assisting the government and officials in whatever way we can as the plan is developed.

As the document points out not all infrastructure investment has equal benefits and to achieve the greatest gains in productivity and national wealth a transparent principles-based approach to the plan’s development is needed.

We support the emphasis on comprehensively measured benefits and costs and reducing barriers to private sector investment. Robust and integrated policies and strategy are essential to achieve sensible infrastructure investment prioritisation. Scarce capital must be allocated efficiently.

The approach set out in the Policy Context chapter of the document is supported including the principles identified there. With regard to the taxation discussion around principle 3, however, which relates to central versus local government funding, we agree an infrastructure plan is not the place to address these issues and we reserve the right to comment on this section at a later date.

Comments made in paragraph 130 about supply chains in relation to ports apply more widely. It is important to look at all of our national transport and hubs infrastructure from a supply chain perspective as each component complements and works with other components, with appropriate competition, in all parts of the supply chain to achieve the most cost effective and competitive supply chain options for our exporters. It is important not to look at each component in silos - e.g. roads, rail and ports.

## **Cross-Sectoral Issues**

### **Regulatory Issues - Resource Management Act**

We recognise the complexities around infrastructure regulation. Infrastructure providers are often natural local monopolies which can use their monopoly power to reduce overall competitiveness by overcharging or introducing cross subsidies into

other parts of the supply chain. Notwithstanding this, light handed regulation where competition is encouraged, is generally better able to attract new investment and produce the most efficient outcomes.

We support the thrust of the government's regulatory review programme and the focus on identifying and reducing regulatory hurdles to investment in infrastructure. Reform of the Resource Management Act is very important here.

The RMA has caused unreasonable delays to many major infrastructure projects – both private and public sector. While it is important to ensure such projects are got right and the public is given an opportunity to have a say in the process, we believe the balance to-date has been too far on the anti-development side. We strongly support the Resource Management Amendment Bill's intentions of reducing the time it takes to reach such decisions and we look forward to the next phase of the reform.

### Funding Infrastructure and PPPs

The government's fiscal constraints are clearly a factor when it comes to funding public infrastructure. We support increased borrowing to fund long term assets provided the economic returns are there. This is generally superior to pay-go systems when the assets are to be used by future generations.

The government should allow the use of more private sector investment including public private partnerships (PPPs) and borrowing to fund the new investment. This would help overcome capital constraints, accelerate planning and construction and provide access to private sector expertise.

We support increased use of user charges, tolls and road pricing to fund roading expenditure.

### Local Government

While local government has an important role in providing and developing regional infrastructure, it does not need to own much of the infrastructure it currently owns. We believe that there is a case for councils to divest shareholdings in commercial assets such as ports and airports. The proceeds of such sales could be reinvested in new and improved infrastructure which the private sector or central government would not otherwise provide.

Councils point to the dividends made from shareholdings in their commercial assets (eg ports and airports) but such investment is not risk free. There is also the potential conflict between the council's ownership role and its public custodian and regulatory roles that needs to be considered.

Local government ownership of certain infrastructure assets can also impede optimal use of these assets. In the ports sector for example, full private ownership would enable innovative international activity including ownership of foreign ports. This would not be practical under partial local government ownership.

## **Wellington Infrastructure Issues**

We recognise it is a *National* Infrastructure Plan that is proposed and that infrastructure decisions need to be based on sound BC analysis scarce if New Zealand is to prosper. However, we take this opportunity to outline some Wellington

specific infrastructure issues that the government should be aware of when developing the plan. The purpose of the plan is not to provide an exhaustive list of infrastructure projects, nevertheless as an appendix we have attached a list of what we believe should be the priorities for Wellington to inform assessment of the list provided in the Planned Investment chapter of the document.

Notwithstanding the population growth triangle of Auckland, Waikato and Bay of Plenty referred to in the document, it would be short-sighted to overly focus on this area and we are pleased that the document does not fall into this trap.

The Wellington region contains 11% of New Zealand's population in a relatively compact area. Two territorial local authorities, Wellington City and Kapiti Coast District have been amongst the fastest growing areas in the country in recent years (1.5% and 1.2% respectively in 2007) and such growth rates are expected to continue. Wellington is also one of the fastest growing destinations in the country for visitor numbers.

Wellington's location in the centre of the country, on State Highway One and on Cook Strait gives it a crucial strategic location on infrastructure networks as a link between the North and South Islands. This inter-Island link is mainly relevant in the national transport network with CentrePort and the inter-Island shipping connections, in particular playing a crucial role. Electricity Transmission is also important with the HVDC inter-island link converting at Haywards enabling the transportation of power between the North and South Islands.

As the capital city, Wellington's infrastructure needs are unique and secure links to the rest of the country are crucial.

Wellington is not immune in suffering from New Zealand's lack of infrastructure investment from the late 1970s until 2003/4. While the problems are less acute than Auckland's, Wellington's strategic location means its infrastructure deficit has a disproportionate effect on national productivity.

### **Sectoral Comments - Wellington**

We confine our comments to the market and quasi-market sectors that are most relevant to the Wellington economy.

#### *Rugby World Cup 2011*

We are pleased that the document highlights the infrastructure needs surrounding this significant event. Wellington will be hosting seven RWC 2011 matches over four weeks of the tournament including two quarter finals in one weekend. It will also be hosting many more supporters who are expected to travel through Wellington following their teams.

Wellington is well geared up for the event but it is expected to be a major strain on the region's infrastructure and filling the infrastructure shortfall over the next two years (largely in the areas of hospitality and transport) will be a challenge.

A number of projects are planned or underway in Wellington to be completed before RWC 2011. These include:

- development/extension of the international airport terminal

- introduction of 70 new rail units and 61 new trolley buses
- new hotel/apartment developments
- upgrade of Courtenay Place area
- development of new 12-court Indoor Community Sports Centre
- development of artificial training surfaces
- upgraded links between CBD and Wellington Regional Stadium.

These are all private sector and local authority investments and so are not mentioned in paragraph 28 of the document under Immediate Priorities where government contributions to RWC 2011 infrastructure requirements are listed.

### Roads

Traffic flows in Wellington are concentrated by the “corridor” nature of Wellington city’s geography. This means that the traffic-counts and impacts on congestion are greater than expected from a city of its population. An example of this effect is the proposed Basin Reserve grade separation project. The New Zealand Transport Agency has rated this project the number 1 priority for all of New Zealand. The “corridor” effect also causes challenges in terms of resilience. Road and rail links are vulnerable to constant interruption due to inclement weather, slips and earthquakes etc. The city will be in major trouble if either sea level rises or if there is a major storm or earthquake affecting the current alignment of SH1 between Pukerua Bay and Paekakariki. For these reasons, we think the decision to make the road between Levin and Wellington a Road of National Significance was a good one.

We are strongly supportive of a well developed public transport system in the Wellington region. Increased availability of public transport options provide an alternative to private cars and will enhance transport for those without cars and those who chose not to use cars. While road and rail is well covered in the document, there is insufficient mention of public transport generally (including bus, commuter rail, ferry, cable car etc) which, whether publicly or privately funded, is a major component of the nation’s infrastructure.

We think that more efficient/reduced vehicle use and greater provision of public transport options are both essential to reduce congestion. Notwithstanding the benefits of these, we believe that increased investment in roading infrastructure is also essential to meet the demands of a growing population and economy.

The government should allow the use of more private sector investment including public private partnerships (PPPs) and borrowing to fund new investment as well as tolls.

### Rail

While we did not support the recent renationalisation of rail, we support the investment in rail in Wellington as a means of moving cars and freight off roads and reducing congestion and carbon dioxide emissions. Rail has faced years of infrastructure neglect and so the increased emphasis is appropriate. Significant investment is required to upgrade rolling stock and to improve rail network infrastructure.

While this investment is necessary, government needs to keep commercial viability of its investments at the forefront of its decision making. Difficult terrain and low population mean rail’s economic potential is limited without large and sustained

government subsidies. We believe the use of private sector investment in rail should be considered.

### CentrePort

CentrePort's strategic location at Cook Strait means it is well placed to service coastal and international shipping as well as inter-Island shipping connections. The importance of coastal shipping and the North-South Island link is understated by the focus on exports and imports in the table in paragraph 122.

Coastal shipping is a relatively untapped mode of transport in New Zealand and we support more use being made of it although we would not support policies giving it an unfair advantage over other modes of transport.

A quicker crossing of Cook Strait would be obviously beneficial and all options should be looked at here including a new port at Clifford Bay in Marlborough.

Some dredging may be needed to accommodate larger vessels than those currently servicing the international markets. Improved road and rail access to Centreport is also needed to maintain efficiency.

Consideration should be given to Greater Wellington Regional Council selling its holding in the port and reinvesting the proceeds in roads and other infrastructure.

### Air Services

Wellington International Airport is forecasting a doubling of passenger numbers from 5 million to over 10 million and a more than five-fold increase in freight volumes by 2030. Investment of \$430 million is planned over the next 20 years to accommodate this. Extension of the runway is not proposed.

The runway length is always an issue. Extension might be strategically valuable from a national perspective. New aircraft types in theory will not need an extension, but there are risks in being tied only to a limited range of aircraft types, particularly if point to point is going to be the way of the future, and if our linkages are more extensive than just the eastern seaboard of Australia and parts of the South Pacific.

Wellington Airport's plan includes *possible* extension of the runway if a need develops. In the context of a wider Government programme of expenditure on productivity enhancing infrastructure, Government should consider assisting the enhancement of this key national asset.

Wellington City Council should consider selling its holding in the airport and reinvesting the proceeds in other infrastructure.

In addition to the investment occurring in Wellington airport, a second commercial airport is planned for Wellington with the current redevelopment of Paraparaumu Airport. This will increase the region's connectivity and complement the operations from Wellington and Palmerston North airports. We disagree with the implication in paragraph 155 that regions can not sustain second airports.

### Energy

Wellington is not experiencing any serious difficulties with its energy infrastructure. However, there is scope for improvement. Wellington's wind offers potential as a

natural advantage for provision of an increasingly important source of renewable energy. This can be capitalised on - not only as a means of providing security of supply to the Wellington region but by providing electricity to the country.

In the longer term there is potential to harness waves and tidal movements in Cook Strait to generate electricity.

Three years ago Wellington experienced a severe gas leak in the CBD. It is essential that investment occurs to minimise that chances of such a leak reoccurring.

### Telecommunications

Broadband is a strength in the Wellington CBD and we now have even better broadband servicing the film industry in Miramar. Outside of the CBD and Miramar the service deteriorates quickly and some rural parts of our region have an extremely poor service. Surprisingly there are some gaps in new generation cell phone coverage also. Expanded broadband and 3G mobile communications to every business and household in the region should be the goal.

We support the government's \$1.5 billion package to provide ultra-fast broadband accessible to 75% of New Zealanders.

## **Appendix**

### **Wellington Infrastructure Priorities**

#### **Road**

1. Road of National Significance between Wellington Airport and Levin
  - a. Basin Reserve grade separation
  - b. Access to the port
  - c. Transmission Gully
  - d. Waikanae and Otaki by-pass,
  - e. The Western Link road from Raumati to Waikanae
  - f. Second tunnels through Mt Victoria and the Terrace
2. New east –west linkage (Grenada to Gracefield).
3. Hutt Valley cross valley link between the state highway and Seaview/Gracefield
4. The link to the Wairarapa
5. SH 58
6. Public transport
7. Road pricing and funding - Public/private partnerships, private sector investment, and tolls etc

#### **Rail**

1. Alignment between Pukerua Bay and Paekakariki
2. Rolling stock upgrades
3. Private sector operation of regional commuter network

#### **Port**

1. Road and rail access to Port
2. Clifford Bay

#### **Airport**

1. Improved domestic and international airlinks – including long haul flights.
2. Airport Master Plan
3. Enhanced public transport links to the airport
4. Development of Paraparaumu airport

#### **Broadband**

1. Expanded coverage of high speed network
2. Role of local government in broadband
3. international linkages