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**From:** Kelvin [kelvin.norgrove@win.co.nz]  
**Sent:** Tuesday, 13 October 2009 9:52 a.m.  
**To:** National Infrastructure Unit  
**Subject:** Submissions on the Facts and Issues document Sept 2009  
**Attachments:** Infrastructure spend article 2009.doc; CJ KN ARC Historical Context Infrastructure Planning 3 July 09 (final).pdf

Hello,

I realize I have missed the submissions deadline but have attached two documents by way of a contribution to this process. I was overseas for the past few months and was not able to reply in time. My apologies for not being able to reply in line with the prompts provided in the discussion document but the unitary theme of my submission would be the economic value able to be achieved from of taking a cross-sectoral perspective to prioritising infrastructure in New Zealand's growth centres (ie. Sectors being central and local government) including Auckland. This is as much to do with better co-ordination of spending as it is to do with increased spending.

[Withheld]

The other report is an article I wrote for a the New Zealand Planning Institute magazine, Planning Quarterly.

I look forward to following this process over the next year.

Regards,

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# NZ's Top Twenty: Growth areas offer best bet for spending on infrastructure

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## 1.0 Introduction

The historically sharp division between national and local infrastructure responsibilities has not served New Zealand's fast growing places well. When the OECD and other bodies rank New Zealand as below average on the quality of infrastructure, it reflects contrasts between good quality infrastructure between regions, such as state highways, and often poor infrastructure at the intra-regional or local level. Local infrastructure constraints – roads, water supply, wastewater treatment or electricity distribution - can often be of national significance.

As a National Infrastructure Plan is developed the Government would do well to co-ordinate and target public sector spending on packages of infrastructure which will serve the country's fastest growing towns and cities.

The Government's intention to increase spending on several state highway projects will help by improving travel times for moving goods and people between regions and within major urban centres in New Zealand. But such improvements can also push bottlenecks onto arterial and local roads and trigger the need for improvements to a range of local infrastructure.

Both Auckland's road congestion and capacity constraints on water supply and wastewater treatment in coastal settlements in Northland and Coromandel can be attributed in part to the ease with which people are now able to access these places from other regions.

Accelerating the Kopu Bridge will further improve access to the Coromandel but to have potential as a springboard for investment in the local economy it should be co-ordinated with local infrastructure investment in roads and water. Fortunately the council recently lifted a seven year moratorium on subdivision once sewerage constraints were resolved.

### **Kopu Bridge, Thames-Coromandel – planned new bridge to the right**



If infrastructure is to stimulate economic activity in fast growing areas then the question should be asked, what are the best combinations of local and central government infrastructure projects in order to open up opportunities to increase jobs, building development, goods production and tourism activity?

Getting the infrastructure investment balance right will protect and create jobs. It will also allow future development in these areas to avoid delays and obstacles often blamed on the Resource Management Act that are really due to bona fide environmental and infrastructure capacity constraints.

Three steps are needed to better co-ordinate public sector spending on infrastructure:

1. Target the fastest growing places in New Zealand on the basis of projections of population, visitors, and economic activity (eg. local GDP).

2. Assess their infrastructure constraints – intra-regional as well as inter-regional – and prioritise complementary projects for each area
3. If there are risks to local authorities not being able to fund ‘their’ infrastructure (affordability is an issue in both urban and rural fast-growing areas), explore options for top-up central government funding or public-private partnerships

## 2.0 Fast Growing areas

So where should the country be looking to invest in infrastructure?

Based on population counts the fastest growing places during 2001-2006 were in the regions of Auckland, Canterbury, Bay of Plenty, Waikato and Otago [refer table 1].

**Table 1: The ‘Top 15’ fastest growing territorial authorities 2001 - 2006**

	<b>Territorial Authority</b>	<b>% Growth 2001-2006</b>
1	Queenstown-Lakes District	34.7%
2	Selwyn District	23.3%
3	Rodney District	17.6%
4	Manukau City	16.2%
5	Waimakariri District	16.1%
6	Central Otago District	15.1%
7	Franklin District	14.1%
8	Tauranga City	14.0%
9	North Shore City	11.2%
10	Hamilton City	11.2%
11	Papakura District	11.1%
12	Waitakere City	10.5%

13	Waikato District	10.3%
14	Western Bay of Plenty District	10.1%
15	Auckland City	10.0%

Source: Statistics NZ

BERL Economics rank territorial authorities every year on the basis of performance in four indicators: population, employment, GDP and business unit growth. The cities and districts which rank in the Top 20 based

on their average overall rank over the past 3 years include all of the cities and districts in Table 1 except for Papakura and Waitakere [refer Table 2].

**Table 2: The 'Top 20' Overall ranked Territorial Authorities 2006 – 2008**

	<b>Territorial Authority</b>	<b>Rank score (3 year average)</b>
1	Central Otago District	2
2	Waimakariri District	4
3	Selwyn District	4.7
4	Queenstown-Lakes District	7.7
5	Tauranga City	8
6	Ashburton District	13
7	Rodney District	14
8	Manukau City	14.3
9	Waikato District	15
10	North Shore City	16.7
11	Whangarei District	17.7
	Kapiti Coast District	17.7
13	Franklin District	18.7
	Marlborough District	18.7
	Wellington City	18.7
16	Porirua City	19
17	New Plymouth District	20
18	Hamilton City	20.7
19	Western Bay of Plenty District	23
20	Auckland City	23.3

Source: BERL Regional Performance Indicators 2008 (March 2009).

Based on the broader 'BERL' criteria the Top 15 now also includes places in the regions of Wellington, Northland and

Marlborough. A pattern is emerging - the fast growing places share one or more of the following characteristics:

- large urban region
- superior climate and natural amenities (eg. coastal proximity)
- center of natural resource based commodity-export region

Looking ahead, population projections by Statistics NZ suggest a slim majority of New Zealand's local authorities will have more people in 2031 than they had in 2006. Only 40 out of 73 areas are expected to have positive population growth.

The Auckland region will generate the largest share of the country's future population growth (62 percent between 2006 and 2031, increasing from 1.37 million to 1.93 million people), but high percentage growth in population is also expected in places such as Queenstown-Lakes District, Selwyn District, Waimakariri District, and Tauranga City.

### **Mt Maunganui, Bay of Plenty**



Domestic and international visitors are another important part of the growth picture. Many regions have been experiencing rapid growth in tourism whilst traditional industries of agriculture and manufacturing have declined. Ministry of Tourism forecasts of visitor numbers to 2014 show high growth rates will be experienced in Auckland, Northland, Coromandel and Rotorua, but even higher growth rates are projected for the southern areas of Marlborough, Mackenzie, Wanaka and Fiordland.

The fast-growing places are not widely dispersed around the country. The trick is to balance the need for all regions to be connected by 'backbone' infrastructure (eg. for transport and energy) while also realizing economic benefits by ensuring the right infrastructure is in-place in areas that are expected to consistently attract people and jobs over the long term.

It's not hard to see a 'NZ Top 20-25' of fast growing places emerging – the specific cities and towns within local authority areas which have the best prospects of generating economic growth on the back of a self-sustaining mix of residents, workers, visitors, and businesses. These are the areas that will experience the highest rates of land subdivision and building construction in the next property upswing. They will generate the largest increases in retail sales and demand for recreation, education and health facilities.

Specific infrastructure constraints in these places will vary but can be readily identified. Local and regional councils will point to their long-term plans and growth strategies. Regional business organisations and tourist and accommodation providers may suggest other projects like airfields, broadband, walkways, cycleways or improvements to the conservation estate.

Better co-ordination between central and local government expenditure will also lead to questions about who pays.

### 3.0 Funding

Working out fair shares in terms of public-private and central-local government funding splits pre-occupies government officials and property developers alike, but these factors should not be allowed to stand in the way of a sensible well-targeted Infrastructure Plan for the country.

The NZ Council for Infrastructure Development (NZCID) has tallied up \$70 billion of planned expenditure on water, electricity, transport and broadband infrastructure in the next 10 years. Central and local government expenditure combined accounts for 80% of the total: \$25 billion from central government for transport, and \$31 billion from local authorities Long Term Council Community Plans, of which over two-thirds (\$22 billion) is to go on the 'three waters' of water, wastewater and stormwater infrastructure.

Transport and water infrastructure dominate the long-term budgets of many fast growing local authorities but there are real risks that they will not achieve the scale of investment required. Councils are under pressure to keep rates below inflation and are cutting capital works. There will be examples where it makes sense for central government to contribute to local infrastructure costs in order to allow take-up of opportunities for economic development that will not otherwise occur, or will be substantially delayed if left to council timeframes. Private sector funding is an option but has probably dried up for the next few years.

Infrastructure spending should be seen as a down-payment on long-term economic growth and future tax earnings. Central government has stronger incentives to spend on infrastructure as it gains GST and fuel and income taxes from the additional

development and the many varied business activities which make use of the infrastructure. Local authorities really only benefit from infrastructure spending by being able to recoup their costs through property rates and development contributions. It is not a council cash-cow.

Local authorities already receive about \$700m per annum in grants from central government with almost 90% going on roads and public transport. One option would be to reduce the funding contribution required from local authorities for roading projects which can demonstrate significant economic benefit.

Another option could be to set up a Contestable Infrastructure Fund to be overseen by the new National Infrastructure Advisory Board. A good deal of local infrastructure in fast growing places could be built or upgraded with access to a fund of say \$500 million per annum for 5 years duration. That would total only 8% of the \$31 billion identified by local authorities and less than a quarter of the planned \$11+ billion spend on state highways in the next decade.

The Board could assess applications from local authorities to part fund any sort of infrastructure but criteria would reflect the rationale of supporting population, employment or visitor growth. The Board could also stipulate that any funding be on the back of 'ready-to-go' provision in District Plans for future development or other supporting measures to be performed by local councils.

### 4.0 Conclusion

A lot of money planned to be spent on infrastructure in New Zealand in the next decade will be on new roads and literally, water going down the drain. Some of it could also have a high economic impact.

Better co-ordination of infrastructure spending in New Zealand's 'Top 20-25' fast-growing areas is key to driving new investment in houses, hotels, shops, tourist activities, and air and road transport services. Top-up funding from central government could also relieve pressure in areas with rates affordability and debt servicing constraints.

The astute use of either measure will bring returns to central government infrastructure investment over a shorter time period than would otherwise happen. Getting the right balance of national and local infrastructure will also avoid ending up with ever better connections between places and fewer reasons to want to go there.

Kelvin Norgrove is an Auckland based resource management and strategic planning consultant.