RMA Phase II Reforms: What do we need from an infrastructure perspective?

Presentation to
by Stephen Selwood, Chief Executive, New Zealand Council for Infrastructure Development
nzcid members
leaders in infrastructure development
Reversing the trend

Figure 1: NZ vs. OECD GDP per Capita 1980 - 2007

GDP (PPP US$) per capita, 1980-2007

Increasing productivity is central to closing the gap

- Catching up with Australia by 2025 requires increasing average annual per capita income growth from 2.1% over the last decade to 3.3%
- To return to the top half of the OECD requires a growth rate exceeding 4%
- Infrastructure has an important role as a platform for growth

Congestion indicator comparison 2006

Source: GHD report to NZCID 2006: Meeting NZ’s Transport Infrastructure needs to 2025 p67
Investment (gross fixed) % GDP
1972-2005

Source: NZIER (2008)

Think Big
Auckland Southern Motorway largely complete
Telecom privatised
Transport deregulation commenced
NZ Rail sold
TestraSaturn enter market
Huntly
Clyde Hydro
Manapouri Hydro
Manapouri Hydro
Transport deregulation commenced
Telecom privatised
NZ Rail sold
TestraSaturn enter market
Electricity reforms
Vodafone buy Bellsouth NZ

Source: NZIER (2008)
Infrastructure inhibiting NZ’s global competitiveness

The most problematic factors for doing business

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate supply of infrastructure</td>
<td>19.1</td>
</tr>
<tr>
<td>Inefficient government bureaucracy</td>
<td>16.4</td>
</tr>
<tr>
<td>Tax rates</td>
<td>15.8</td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td>9.2</td>
</tr>
<tr>
<td>Inflation</td>
<td>9.1</td>
</tr>
<tr>
<td>Tax regulations</td>
<td>8.8</td>
</tr>
<tr>
<td>Restrictive labor regulations</td>
<td>7.2</td>
</tr>
<tr>
<td>Access to financing</td>
<td>6.8</td>
</tr>
<tr>
<td>Policy instability</td>
<td>2.7</td>
</tr>
<tr>
<td>Poor work ethic in national labor force</td>
<td>2.1</td>
</tr>
<tr>
<td>Crime and theft</td>
<td>1.1</td>
</tr>
<tr>
<td>Foreign currency regulations</td>
<td>1.0</td>
</tr>
<tr>
<td>Poor public health</td>
<td>0.6</td>
</tr>
<tr>
<td>Government instability/coups</td>
<td>0.2</td>
</tr>
<tr>
<td>Corruption</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

NZ Infrastructure in context

- NZ’s global ranking for overall infrastructure quality
$40bn capital investment in economic infrastructure over the next 10 years

- Government Policy Statement for Transport $32.5bn
  - $13.5bn capex
- Electricity transmission 5bn
- Electricity generation 6bn +
- Broadband 3bn-6bn
- Council LTCCPs 2006 31bn
  - 12bn capex
- Roughly double the level of the last decade
Developing Projects under the RMA: Water industry best practice

- Asset life 80 – 100 years
- 20 year Asset Management Plan
- 8 Years to plan, design, consent, construct, commission
- Engage with stakeholders
- “Don’t blink”
But other infrastructure much more contentious...

- Wellington inner city bypass – 11 years from inception to construction start
- Mt Roskill Extension – decade to start
- North Shore Busway – multiple designations & consents
- North Island Grid Upgrade Project – 5 years to draft consent

**Six years on, Contact gets consent**

by Adam Bennett

Six years after its initial application Contact Energy has gained new resource consents for its existing geothermal plants near Taupo.

It is also optimistic that consents for the plants it is planning will be granted within months.

The company, New Zealand’s largest listed electricity generator and retailer, welcomed an Environment Court decision confirming resource consents for the operation of its Wairakei and Pohutu geothermal power stations at Taupo.

It applied for renewal of the consents in 2001. They were granted in 2004, but the decision was appealed against to the Environment Court.
Its not just the RMA...Complex governance, planning funding & consents processes

- Multiplicity of legislation
  - Historic Places Act 1989,
  - Reserves Act 1981,
  - Local Govt Act 2002,
  - Public Works Act 1981,
  - Foreshore & Seabed Act 2004,
  - Reserves and Other Land Disposal and Public Bodies Empowering Act 1915
  - Land Transport Management Act 2003
- Multiplicity of projects
  - Western Ring Route – 7 different projects
- Multiplicity of agencies
  - Central, regional and local authorities
  - Complex funding formulae
## Issues by sector

<table>
<thead>
<tr>
<th></th>
<th>Governance</th>
<th>Funding</th>
<th>Consents</th>
<th>Regulatory Complexity</th>
<th>Procurement Sophistication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Transmission</td>
<td>X</td>
<td>√</td>
<td>XXX</td>
<td>XXX</td>
<td>X</td>
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<tr>
<td>Electricity Generation</td>
<td>√</td>
<td>√</td>
<td>XX</td>
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<td>X</td>
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<tr>
<td>Water</td>
<td>XXX</td>
<td>XX</td>
<td>X</td>
<td>√</td>
<td>XX</td>
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<tr>
<td>Tele-communications</td>
<td>√</td>
<td>√</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>Social Infrastructure</td>
<td>XXX</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Transport</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>X</td>
<td>X</td>
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</tbody>
</table>

X = opportunities for improvement
√ = satisfactory
transmission investment

- Remedy regulatory “steeple chase”
  - Commerce Commission
  - Electricity Commission
    price / cost minimalisation
  versus
  - RMA & legislative cost drivers
The costs are not insignificant...

History of scope change and cost estimates for ALPUR T B2

The cost estimates over time for ALPUR T B2 were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1999</th>
<th>2001</th>
<th>2004</th>
<th>2005</th>
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<tbody>
<tr>
<td>Cost $ million</td>
<td>82</td>
<td>98</td>
<td>138</td>
<td>218</td>
<td>359*</td>
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</tbody>
</table>

History of scope change and cost estimates for Victoria Park Tunnel

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost $ million</td>
<td>90–110</td>
<td>105</td>
<td>155</td>
<td>160</td>
<td>369.6</td>
<td>320</td>
</tr>
</tbody>
</table>

- Social & economic opportunity costs of delay add significantly to these costs

Source: Extract from Ministerial Advisory Group Report on Roading Costs August 2006
Need for national leadership

- National benefits not well articulated
  - vociferous minority rules
- National policies and environmental standards are needed
  - National policy on transmission now in place
- Express recognition of the national & regional significance of essential infrastructure
- Ongoing audit and monitoring:
  - Skills knowledge and independence of panelists
  - Consistency of approach
  - Environment Court resource
The option of a one stop consents shop...

- **Ireland:**
  - The Planning & Development (Strategic Infrastructure) Act, 2006

- **New South Wales:**
  - Critical Infrastructure Projects: approvals under 8 Acts replaced by a single integrated assessment and approval process

- **Victoria:**
  - Special legislation e.g. Eastlink

- **NZ should:**
  - Set National Policies & Standards
  - Replicate NSW critical infrastructure process for consolidated approval
  - Use “call in” process
  - Adopt outline planning consents
Second generation regional policy statements present a real opportunity

- Environment Canterbury:
  - Greater Christchurch Urban Development Strategy
    - Ecan, Christchurch City Council, Waimakariri & Selwyn District Councils and NZTA

- Maps out an urban spatial plan – including strategic infrastructure

- Sets standards around noise, emissions, water, separation

- Now being given statutory backing through the Regional Policy Statement
Outline consents process...

- **Context**: Spatial Plan → Long Term Infrastructure Plan
- **Concept Development**: Scheme Options → Environmental Impact Assessment
- **Designation & Outline Consents**: Project of national / regional significance? → Consolidated Consent Process – sets design standards
- **Procurement**: Design & Construct
  - Alliance or Public Private Partnership → Competitive Bid Process
- **Delivery**: Approvals: environmental regulatory → Construct (Finance Operate)
conclusion

- Redressing NZ’s infrastructure deficit is key to lifting NZ’s economic, social and environmental living standards
- After decades of underinvestment there is a step change in infrastructure investment now underway
- Planning and approval processes must step up to the mark
- Leadership is key
- Long term spatial planning is essential
- Set national and regional standards for infrastructure
- Consolidate approval processes
- Allow for innovation through outline consents processes
Brisbane: M7 Clem Jones Tunnel – an example of design innovation
There has to be a better way

North Island Grid Upgrade?
Victoria Park tunnel?
Hydro generation?
Sewage treatment?
Albany Puhoi toll road?
Wind farms?
Waste facilities?
Waterview connection?
Irrigation schemes?
Prisons?