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'Infrastructure: Facts and Issues'. A View from the Committee for Auckland

The Committee for Auckland is wholly supportive of a national infrastructure plan and in particular of the leadership of central government in establishing and enabling the investments that will make New Zealand a competitive nation.

Congratulations on the beginning of the investment conversation.

The document calls for submitters to consider seven issues – the Committee's focus is on:

- missing issues
- decision making
- aspiration
- and the link to economic growth, in reverse order.

New Zealand's economic growth: aspiration first

The Committee firmly endorses an infrastructure plan for New Zealand that achieves the Prime Minister's ambition to match the prosperity of Australia by 2025; where each investment is weighed for its contribution to the prosperity of the nation using an assessment tool which establishes 'wider economic benefit'; and where the Government backs those investments which also provide it with a return, assessed with a long view, in increased Government revenues accrued through increased prosperity.

The plan should describe where New Zealand is headed and how we will get there, using infrastructure investment as the means.

Investing where productivity is high

While much of Australia's gain can be attributed to decisive investment in infrastructure, much of this has been, and continues to be achieved through the investment by successive State Governments in the State capitals. Australia invests where returns are high.

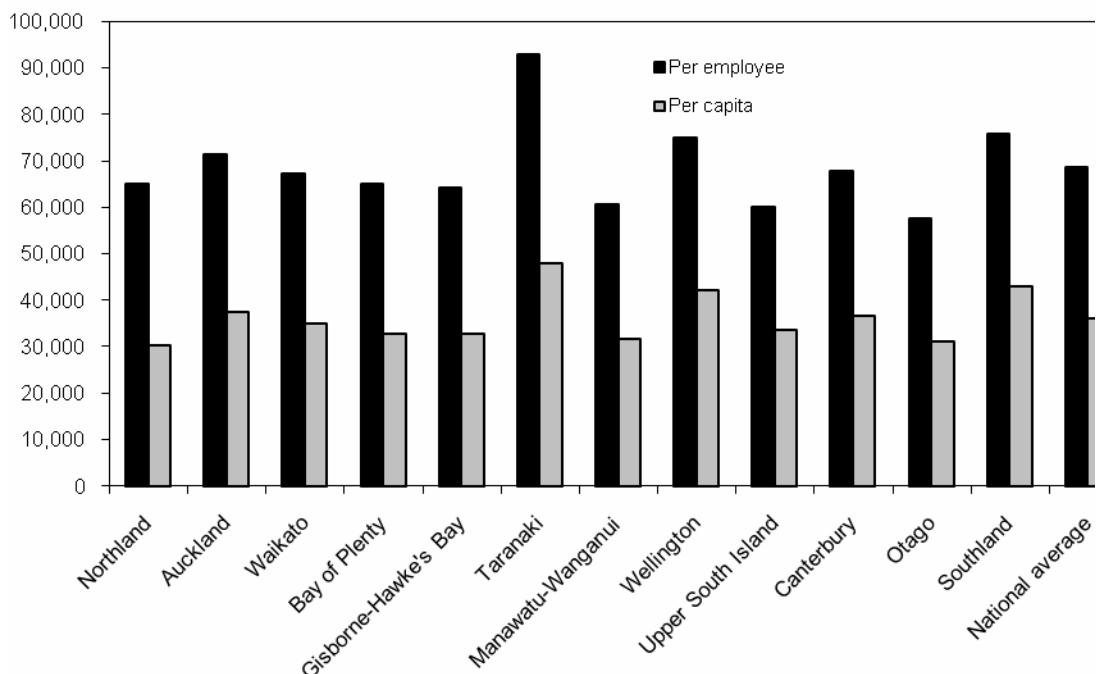
The Committee rests much of its work both on the experience of our Australian cousins and also the foundations laid over more than a decade in the UK by the UK Government, with a reformed London at the centre of the UK's climb to prosperity:

“It is common sense that the nation will generate the greatest return from investing in the region where there is highest growth, highest productivity and greatest potential”.

(Mayor Livingstone Investing in London: The case for the capital.)

While there is an argument for investing in Auckland, there is equally an argument for investing wherever productivity and wealth generation is high. NZIER provided work to the Committee for Auckland in 2008 which documented GVA/cap (gross value add per capita) being highest in Auckland, in Taranaki, and in South Canterbury. It is also high in the larger New Zealand metropolitan centres.

**GVA per employee and per capita (dollars)**



Attention to these centres will see benefit which generates returns to Government which in turn can be re-invested in other places and issues. Infrastructure: Facts and Issues acknowledges these benefits of density and agglomeration and the Committee supports this perspective. To redistribute wealth, the country must generate wealth. Investing in areas which deliver highest return makes sense.

Additional investment which helps NZ increase its rate of economic growth?

(i) Visit Infrastructure

The document takes a wide definition of infrastructure, and includes the provision of Visit infrastructure which will position New Zealand as a destination for global events. The Committee backs this wide definition of 'economic infrastructure'.

In further drafts the Committee would like to see the inclusion of exhibition convention centre facilities in Christchurch and Auckland; an international standard exhibition convention centre is assessed as providing \$85 million in GDP to New Zealand in each year of operation.

The wider visit infrastructure is addressed in work led by David McConnell and a group of public and private interests, "Bringing the World to Auckland". This estimated the potential of public and private sector investment in visit infrastructure to deliver \$7.21 billion to Auckland's GDP and \$1.8 billion in tax revenue to the country.

(ii) Education investment

Infrastructure: Facts and Issues highlights the 18.6% increase in school aged Aucklanders, a notable outlier in the national picture. Investing in Auckland's schools is 2007 vital. However the Committee also believes that the tertiary sector should be included within the nation's economic infrastructure, in addition to primary and secondary schools. Recent work in the US linked a 2.3% increase in GDP/cap to a one percentage point increase in graduates in the workforce. (Federal Reserve Bank of New York Staff Report July 2008).

Work by Auckland Universities also demonstrates the contribution to GDP from their presence (the total expenditure of the University of Auckland and its students in 2006 added \$4.39 billion in output to Auckland and created one additional job for every job the University of Auckland creates. (NZIER) Similar work has been prepared for Auckland's Massey Campus.)

Decision-making: Funding follows Strategy

The Committee is privy to the NZCID paper on the infrastructure document and we too are of the view that 'funding should follow strategy'. The case studies the Committee prepared for the Royal Commission on Auckland Governance repeated time after time, good plans and limited execution. Primarily the strategies were neither soundly prioritised, nor realistically funded. Too often what is funded gets built, at small scale, rather than what is needed.

In this regard we welcome the leadership of central government in determining priority projects including those in Auckland. Auckland's investments are nationally significant. We are an unusual country in having such a high proportion of the country's population and GDP in one place; central government has both a legitimate and welcome role in investment decisions in Auckland, and this approach is noted by the document in its discussion on Auckland. Of the levels of government involved in Auckland, it is by far the greater contributor of expenditure (NZIER estimates \$17.1 billion in Government expenditure in Auckland in 2007 in Growing Auckland Growing New Zealand)

The Committee, particularly through its 2008 publication Growing Auckland Growing New Zealand, welcomes a consistent and systematic way of evaluating strategic options through assessing wider economic development benefits and a full CBA. The work on the Waterview Connection by Ascari/Paling and similar work in the UK by Prof Dan Graham can guide investment toward those projects that enhance agglomeration benefits and a move to more productive jobs. It would be helpful to see the application of these methodologies to the seven roads of national significance. While they are adjacent to dense metropolitan centres, they do not necessarily connect two highly productive nodes or dense work places and may therefore not be the highest impact investments possible.

Rather than asking the question "how can we be confident that this additional investment is a prudent use of scarce funds", the strategy should first pose the question- is this investment the most effective option for moving NZ toward parity with Australia? Which combination and staging of projects provides the greatest leverage? What returns will be generated? We find that the

document takes somewhat of a deficit approach – while understanding the fiscal situation, we favour beginning with an investment approach and the prospect of return on investment.

For instance, the first reference to Auckland, which contributes 34% of the country's GDP paints Auckland not as a potential generator of greater growth but "Auckland is our major city and the place most affected by traffic congestion"...it is a matter of putting growth and potential returns first, and looking less at what we've got and more at the drivers of prosperity; rather than starting with congestion as an essential element in strategic fit ( see tables pp 78-79) alignment might start with the agglomeration or productivity benefits of a particular scheme?

### Capacity Issues

A number of the Committee's Members were involved in the Building and Construction Industry Task Forces this year, and back a recommendation to create a more 'intelligent client' approach across all major construction works; implementing the UK Government's Latham Review for instance secured benefits of a 15% increase in value through more expert commissioning and partnering. It is worthwhile considering how both the Government and construction sectors can be strengthened and there are a number of recommendations in both of the Task Force reports. A whole of Government approach will be needed.

However, the Infrastructure plan not only needs to address the procurement capacity of Government but also the provision of skills, and capacity in the private sector and in local government to deliver/construct the Infrastructure plan. The delivery entities in the Auckland Council are an important component in the mix where the Committee favours CCO structures and independent and capable boards, working to a well developed Statement of Intent from the owner.

Furthermore, the Committee's work in skilled migrant integration in the Auckland economy gives us a warning about the demographic faultline approaching the NZ economy in 20205 with insufficient growth in the labour market, but also highlights a stop/start boom/bust approach to international talent, particularly in the engineering and construction sectors. A longer term view of the labour market needs to be considered if the country is to deliver on plan.

### Conclusion

The Committee looks forward to the next iteration of the Infrastructure Plan, and congratulates the Government on its approach to date, and the opportunity extended by the National Infrastructure Unit for the early discussion, at a formative stage in their work.

Please do not hesitate to contact the Committee for Auckland at any point.

Yours faithfully



Kaaren Goodall  
Executive Director

