



NEW ZEALAND  
INFRASTRUCTURE  
COMMISSION  
*Te Waihanga*

# How are we going to pay for all this fairly?

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**Te Kāwanatanga o Aotearoa**  
New Zealand Government

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# Outline of talk

## The role of infrastructure pricing

**1**

**The role of  
prices in  
infrastructure**

**2**

**Pricing in  
transport  
now**

**3**

**How is the  
money is  
being spent**

**4**

**What can  
we do  
about it**



# A trillion on infrastructure?

## The \$200b problem: How broken is New Zealand?



Susan Edmunds

ECONOMY / ANALYSIS

A gaping infrastructure deficit and a growing population will pose a challenge to the incoming National-led government



14th Nov 22, 5:05pm by Dan Brunskill



**FIXING NEW ZEALAND'S**  
**\$75,000,000,000**  
**INFRASTRUCTURE DEFICIT**

NEW ZEALAND HAS UNDERINVESTED IN INFRASTRUCTURE FOR DECADES

ADD IN POPULATION GROWTH AND OTHER FACTORS, AND IT'S COMING HOME TO ROOST

- traffic congestion is growing in our major centres
- our water infrastructure needs huge upgrades
- and climate change will require a massive investment

**LOCAL GOVERNMENT IS MAXED OUT**

- council investment has remained at high levels
- so, rates have been rising, debt is high and democratic support is diminishing
- but central government's share of investment has not kept pace



by Statistics New Zealand on Wednesday showed there were September year, a fresh record that could yet go higher, helping make up for low birthrates and ease pressures in the mic activity and boosting house prices.

**RNZ** Home News Radio Podcasts & Series Topics Te Ao Māori

New Zealand World Politics Pacific Te Ao Māori Sport Business Country Local

**BUSINESS / ECONOMY**

**\$1 trillion to bring NZ infrastructure up to standard - ASB**



# No chance

## What does a trillion dollars mean?

**1** Charge users

**38%** ↑

in household spending on infrastructure services

**2** Charge New Zealanders

**21%** ↑

In average tax paid per taxpayer

**3** Charge Future New Zealanders

**98%** ↑

Increase in debt to GDP ratio by 2051



**So, if we can't raise a trillion dollars,  
What do we do?**

**Pricing.**



# Infrastructure is like pizza

Demand depends on the price





# What happens when prices are kept too low

## Bread lines in the Soviet Union



### Carless days scheme is taking motorists for a ride

C'MON, Bill Birch, it's time to stop playing round with carless days.

#### Politics in Action with Miles Wallace

Bill, the minister of no energy, said during the week that he intended "reviewing" those who had exemptions.

Good grief, Bill, haven't you yet learned that tinkering with a failure is hardly going to bring success?

You only have to look at Rob Muldoon's handling of the economy to see that.

Bill Birch is going to review the list of exemptions, as apparently 23 per cent of the country's motorists now have exemption stickers, and the list is still growing.

The point is, Bill, that tinkering with this bureaucratic nightmare is only going to make more of a mess.

The fact is that carless days is a disaster.

It was great as a publicity stunt to encourage people to save petrol.

Its psychological effect in training people to do without their cars on one day of the week was quite successful.

It even contributed in a small way to car pooling and petrol savings.

But this saving was fractional — and is no longer needed.

Port of take figures show that we're using about four per cent less fuel than a year ago.

But most of this saving comes from weekend restrictions and higher prices. Many people just simply cannot afford to use as much petrol as before — and still more price rises are coming any day now.

So there is a good argument against needing the carless days scheme any more as a saving device.

The argument against it on fairness grounds is even more pronounced.

Now that Rob Muldoon has arrived back from his first jumbo of the year, Bill Birch should have a talk to him about this whole nonsense.

After all, it is not only Labour MPs who are criticising this scheme.

Ralph Maxwell and Frank Rogers have been running a campaign against it for some time, although they have failed to state their case very well.

Anyone campaigning against carless days would appear to have the equivalent of a poker hand's royal routine, but the Labour duo have played the equivalent of a sad pair.

And even National's Marilyn Waring has shown her exasperation with the scheme.

She wants justices of the peace rather than the police to administer the scheme and to give the special exemptions.

"I daily witness the spectacle of rural constituents making a special return trip for an exemption form so they can make a similar trip on their carless day," she complained in a letter to Bill Birch.

And this is the worst point of carless days — it often wastes petrol.

People drive far miles to get an exemption form. Or they take taxis which run a double distance. Or they get a friend to drive them, which also uses extra.

This raises the possibility that petrol savings could actually increase if the scheme was withdrawn.

Government arguments that petrol savings deteriorated over the Christmas holidays, when the days were lifted, are simply fatuous.

This is the time of the year when everyone travels and more petrol is bound to be used.

Apart from this, the carless days scheme is arbitrary, discriminates against the single-car family and post office clerks in different parts of the country have a varying standard in issuing the exemptions.

As well, family situations change. A carless day that was convenient last July, when the scheme started, may be terribly awkward for a family in this new school year.

But just try getting the day varied.

Then there is the question of who is obeying the scheme in any case.

Surveys by this newspaper have shown that it is being widely ignored. And a law that is being ignored is a bad law.

If Bill Birch is going to "review" exemptions, then he is going to have to set up a further costly bureaucracy to do it.

And this is the Government that is supposed to be reducing this burden — not increasing it.



# What happens when prices are kept too high

## Butter mountains in Europe



## Overproduction: wine distilled to make hydroalcoholic gel

Published on 06/16/2020 22:05

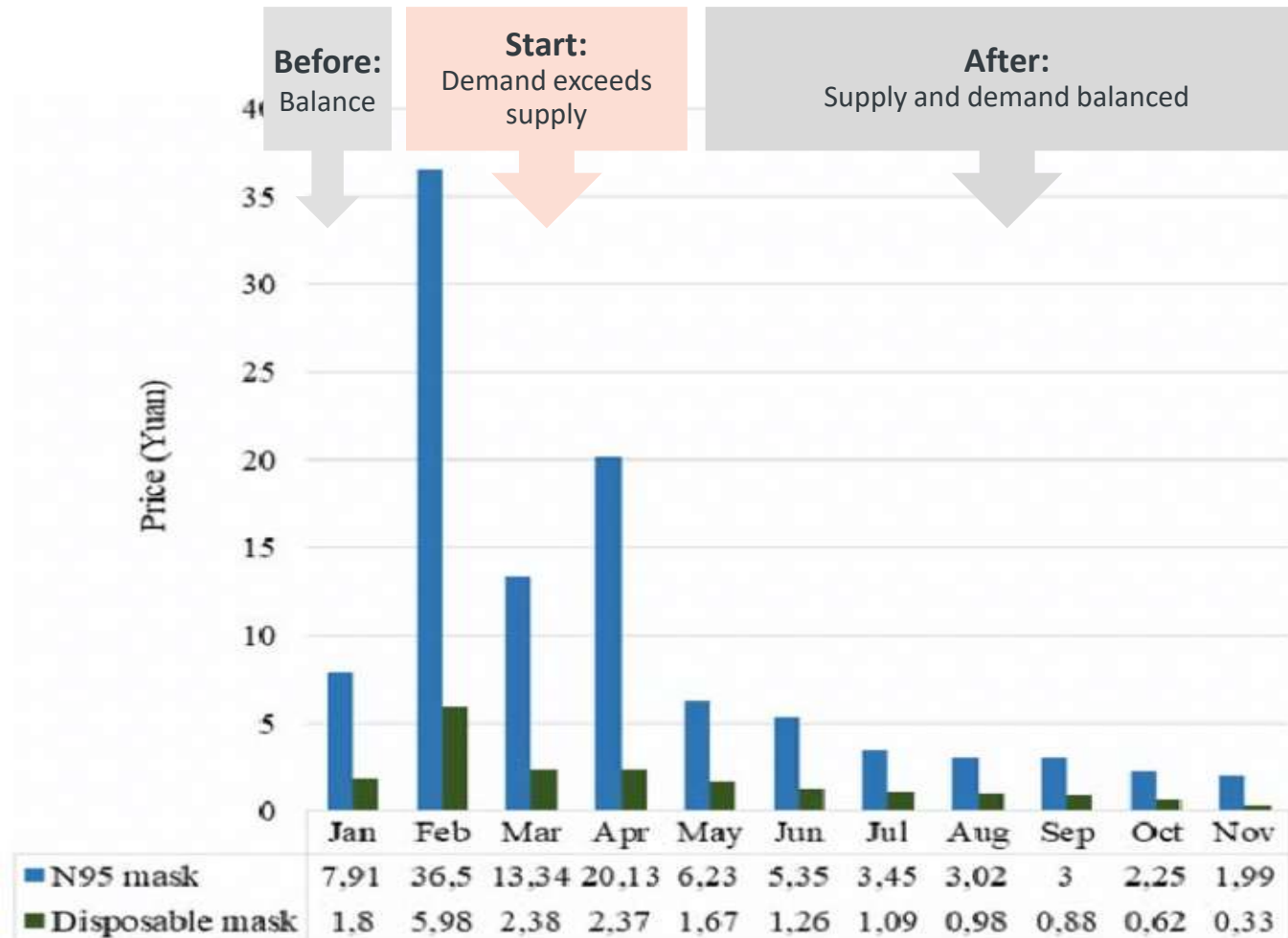






# What happens prices send the right signals

## Masks during Covid pandemic



Changes in the price of face masks in 2020, adapted from [16].





# Part 2: Pricing in transport now

The role of infrastructure pricing

2

Pricing in  
transport  
now



# Transport pricing and investment

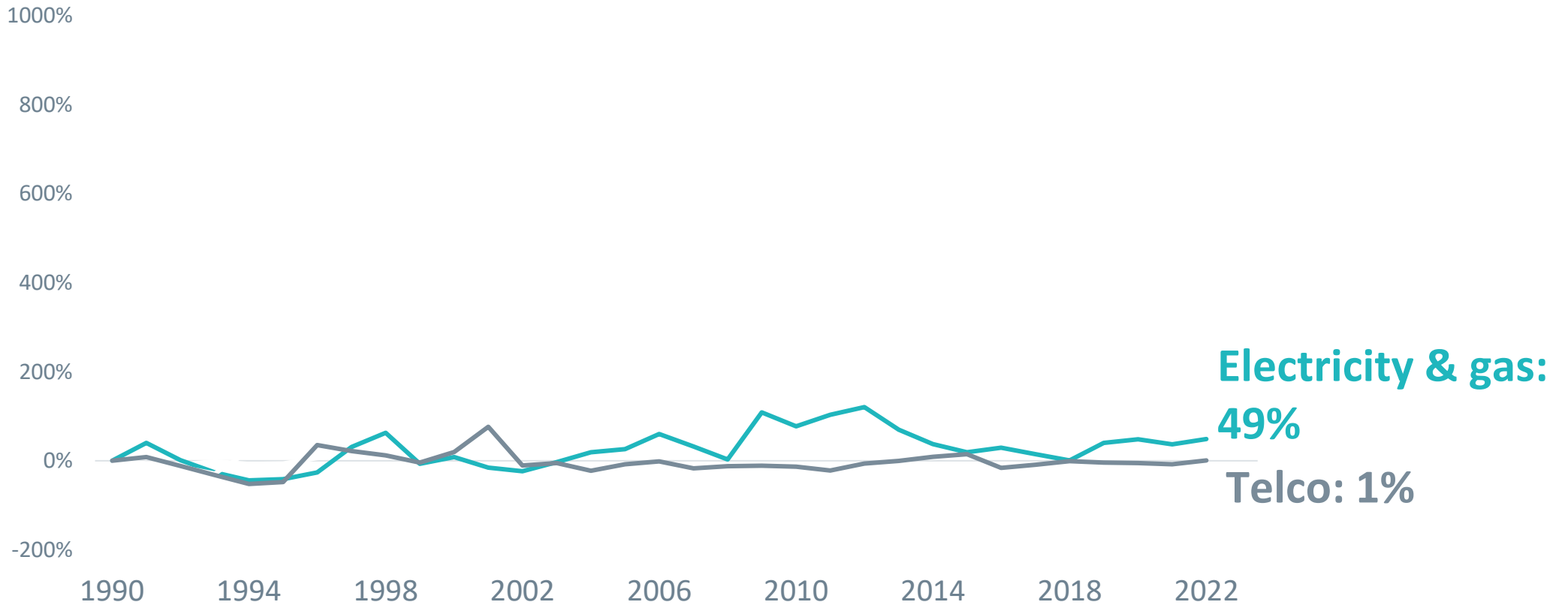
## Current system settings

- Land transport was originally designed as a cost-recovery user pays model
- Investment is determined by policy:
  - Since 2009, the GPS on Land Transport sets the **level and mix** of investment in the National Land Transport Fund
  - NZTA administers the NLTF, with discretion to choose a funding target within GPS-LT ranges and choose projects within activity classes (unless otherwise directed)
- Prices are set by policy:
  - **Cabinet sets key transport prices** (eg fuel excise duty, road user charges, vehicle rego fees)
  - A **Cost Allocation Model** is used to identify how to allocate the cost of planned spending to different users



# Can we avoid a trillion dollars?

## Per capita investment by sector (inflation adjusted)

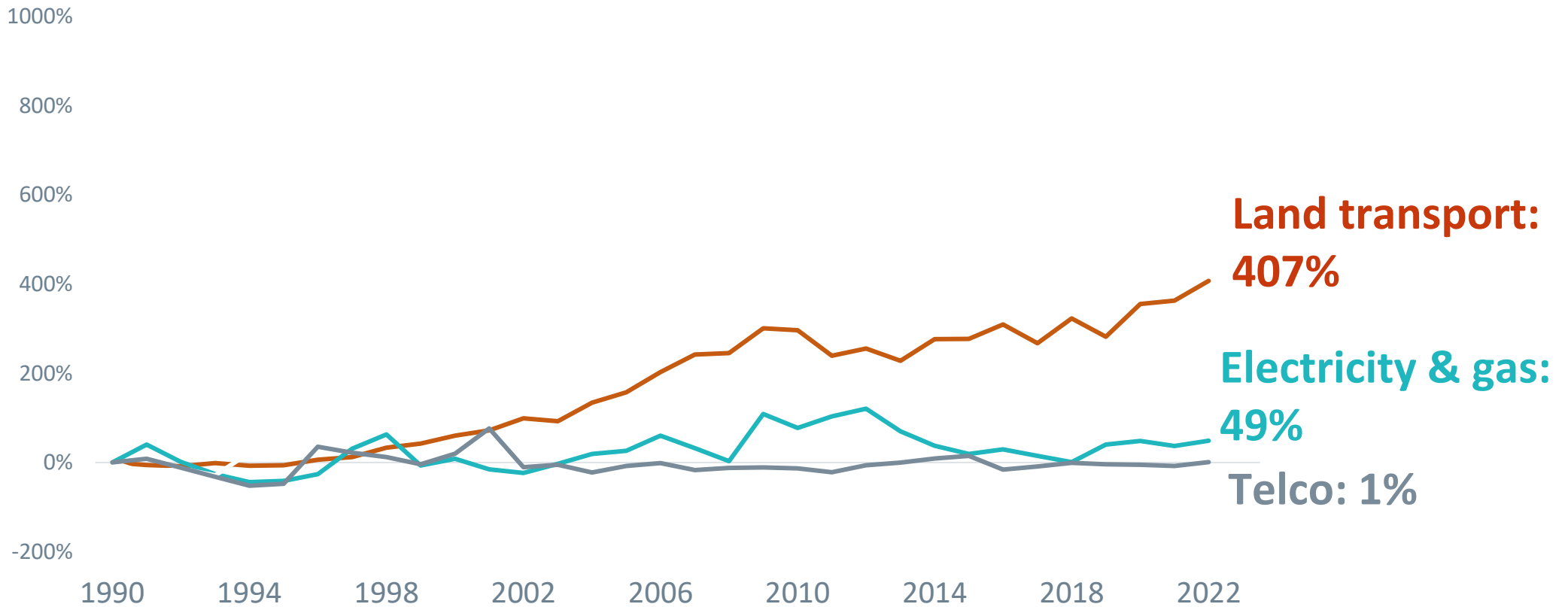


Infrastructure Commission. 2024. *Build or Maintain? New Zealand's infrastructure asset value, investment, and depreciation, 1990–2022.*



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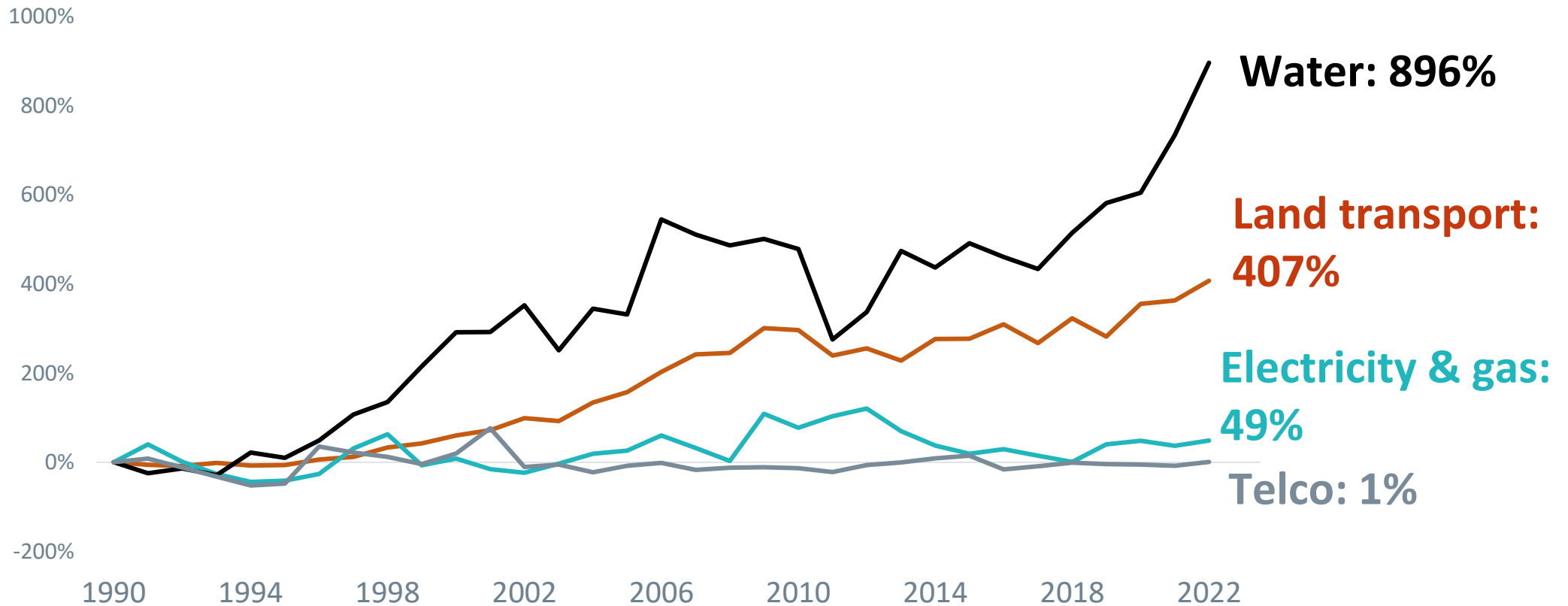


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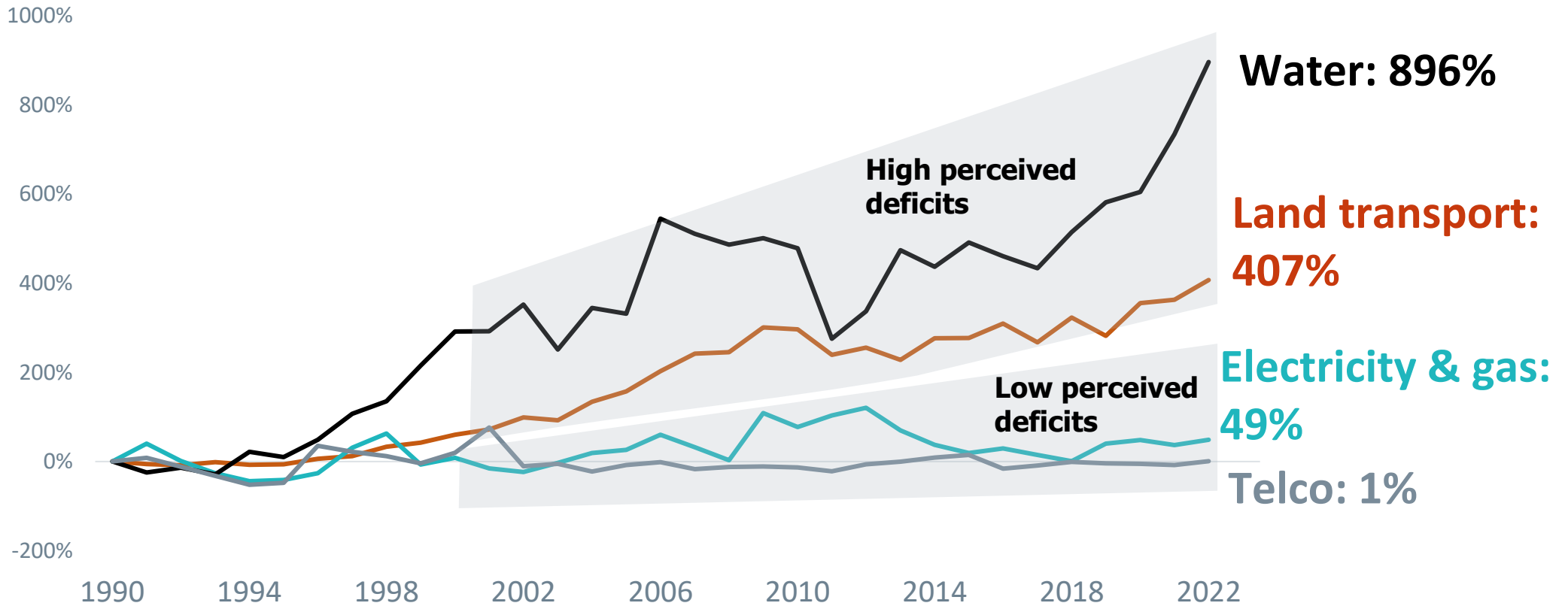


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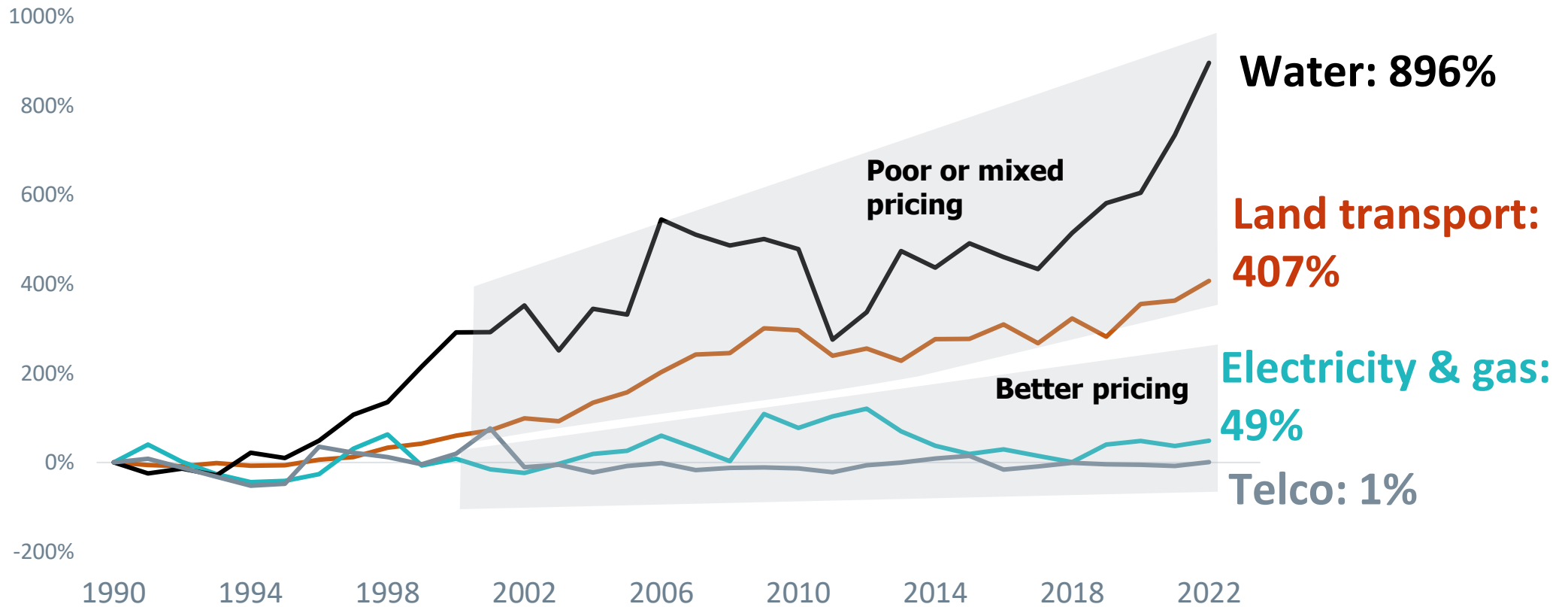


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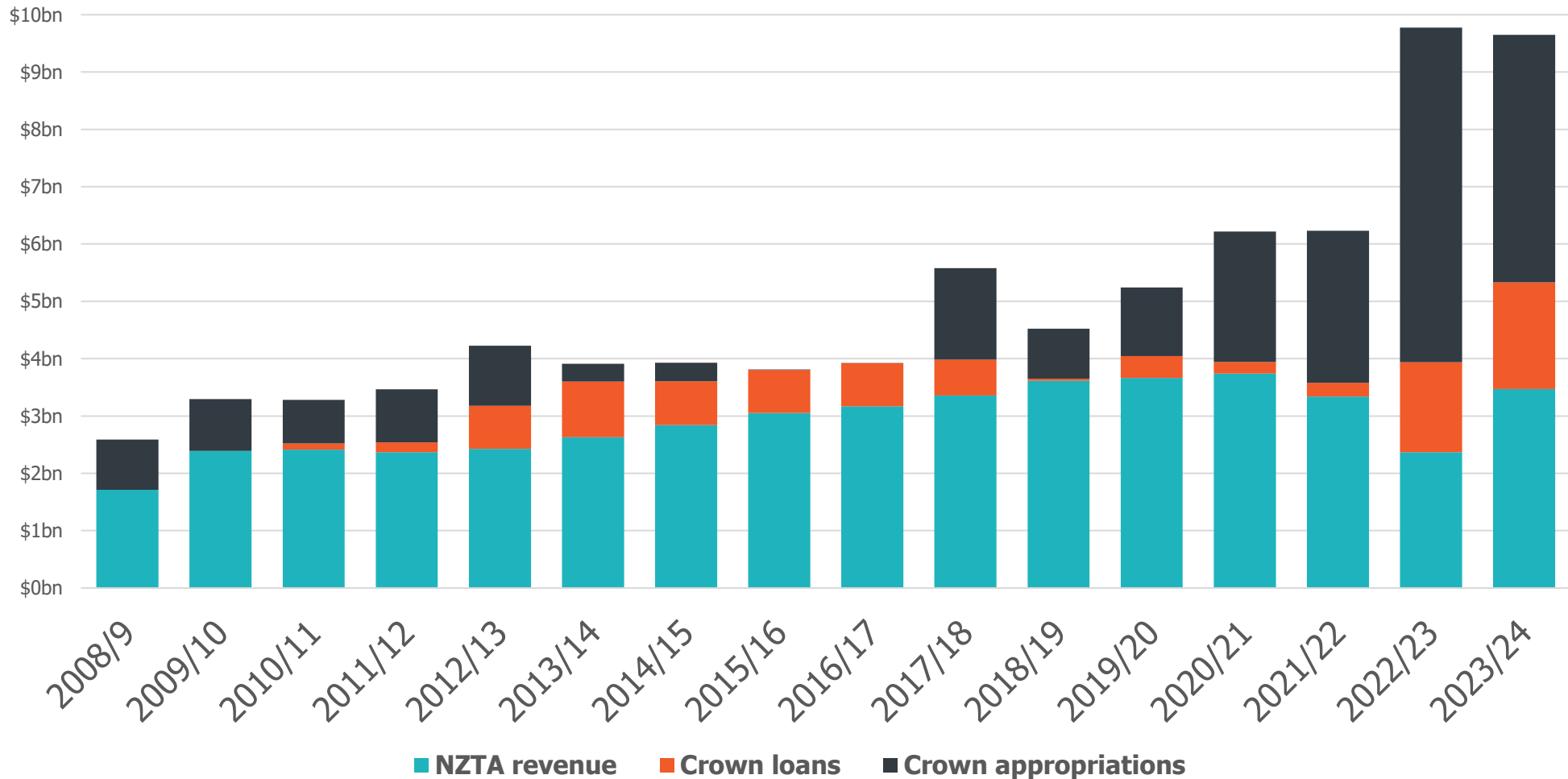
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# Transport is increasingly paid for by non-users

NZTA revenue by source

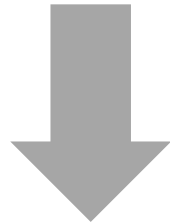




# Summing it up

## Pricing in transport now

- Per-capita investment is up 407% since 1990
- Disconnect between what we spend and what people pay



What is our transport investment 'need'?





# Part 3: How the money is being spent

The role of infrastructure pricing

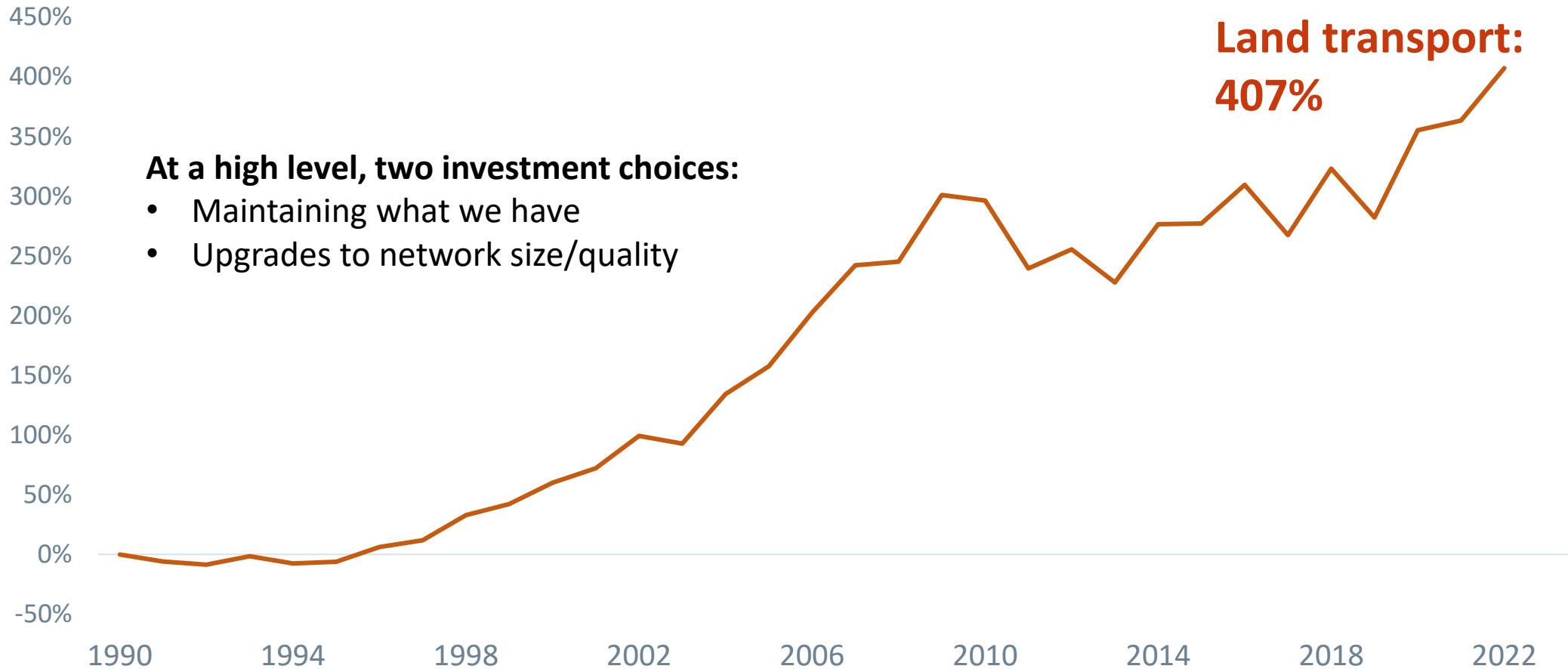
3

**How is the  
money is  
being spent**



# There is no lack of spending

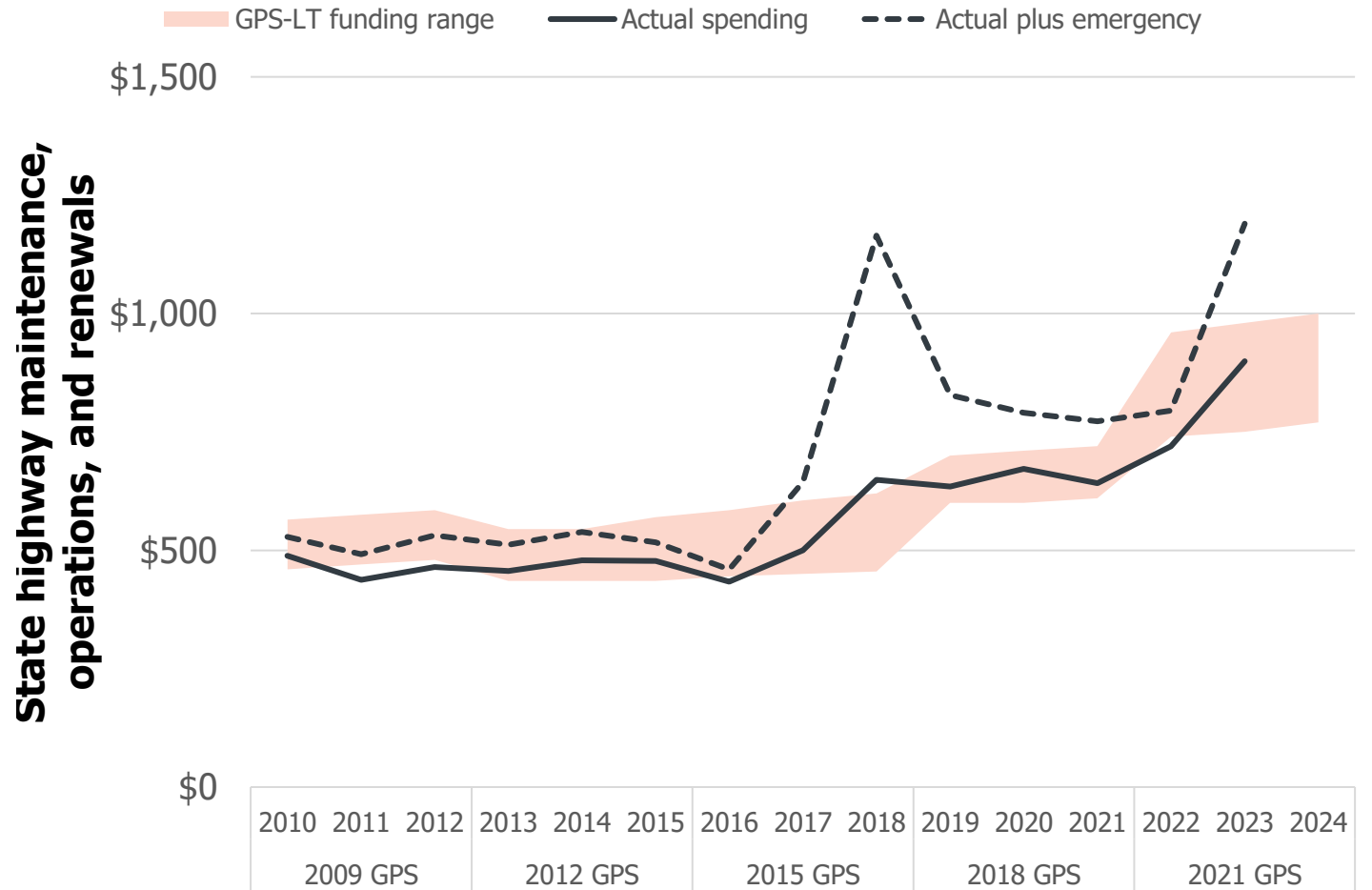
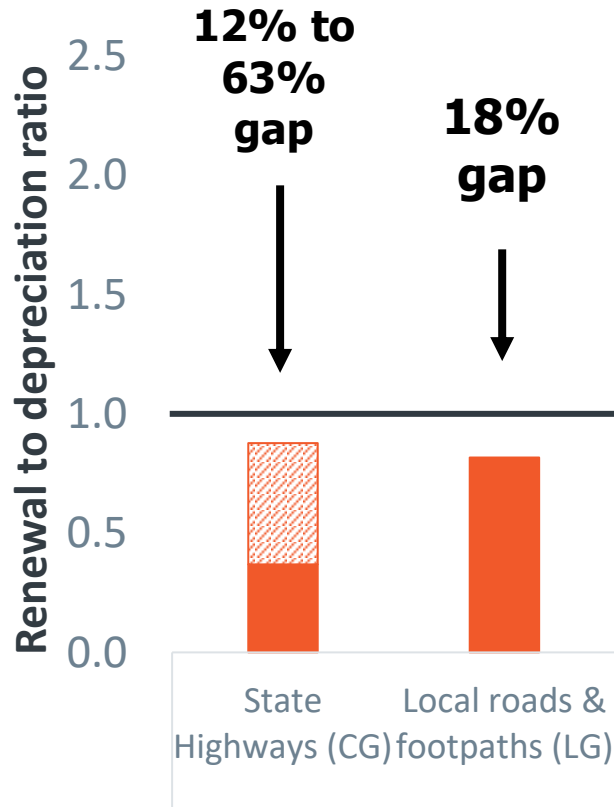
## But what we spend it on matters too





# What we *are* spending

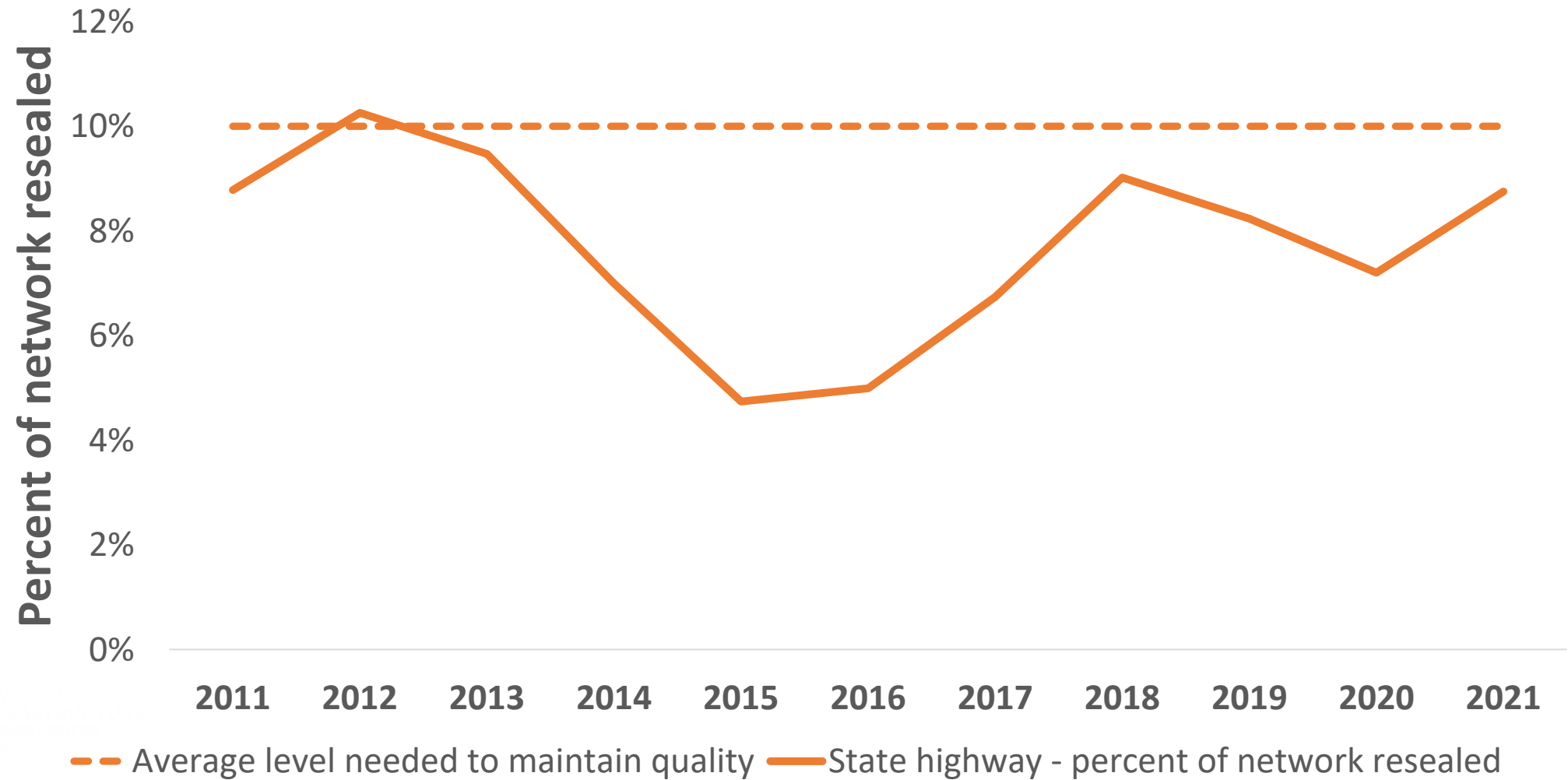
## Renewal spending to depreciation ratios





# Less Spending = Less Maintenance

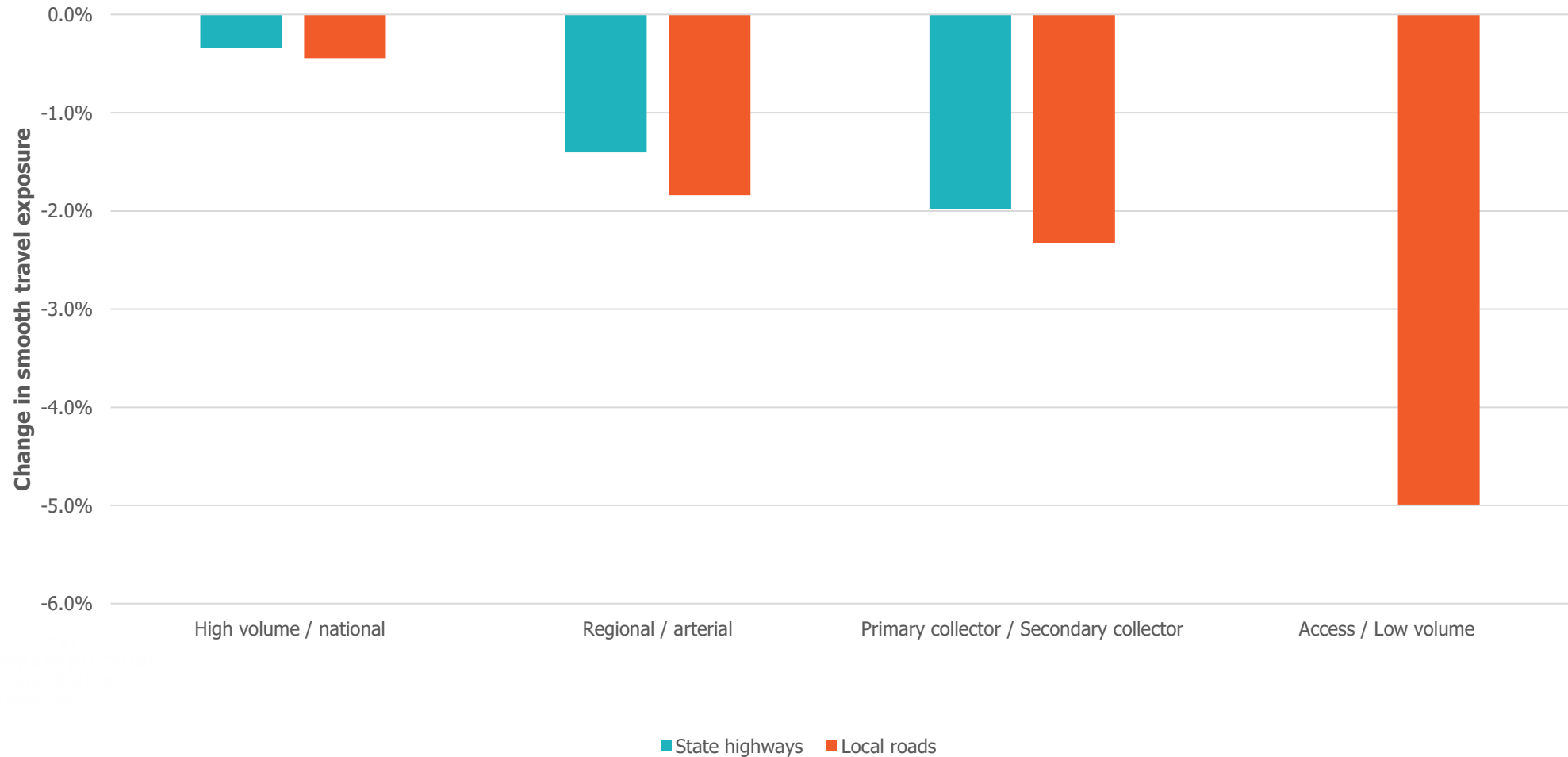
## Resealing work undertaken





# Less Maintenance = Worse Condition

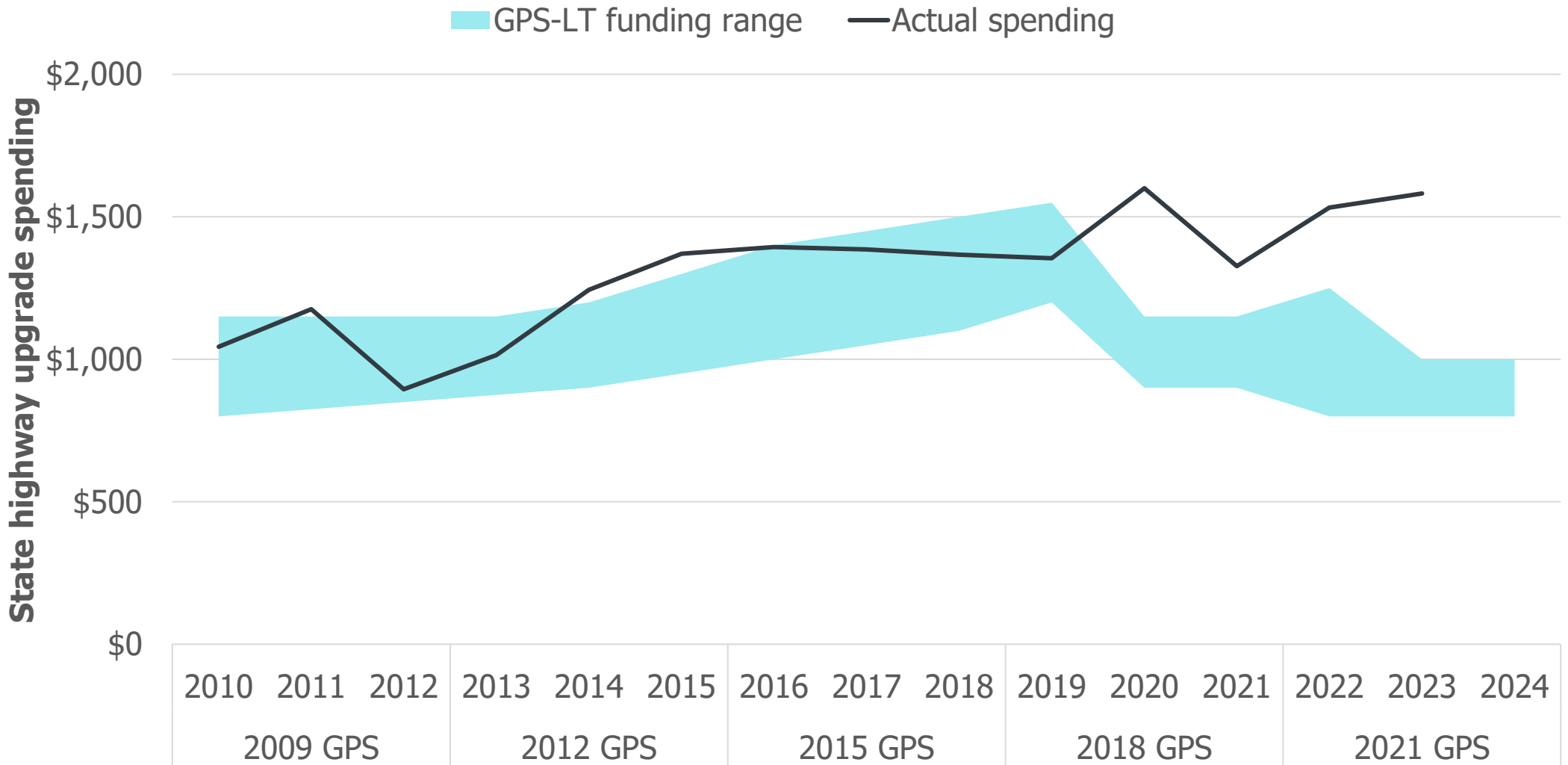
## Change in smooth travel exposure





# What we *are* spending

## Capital upgrades



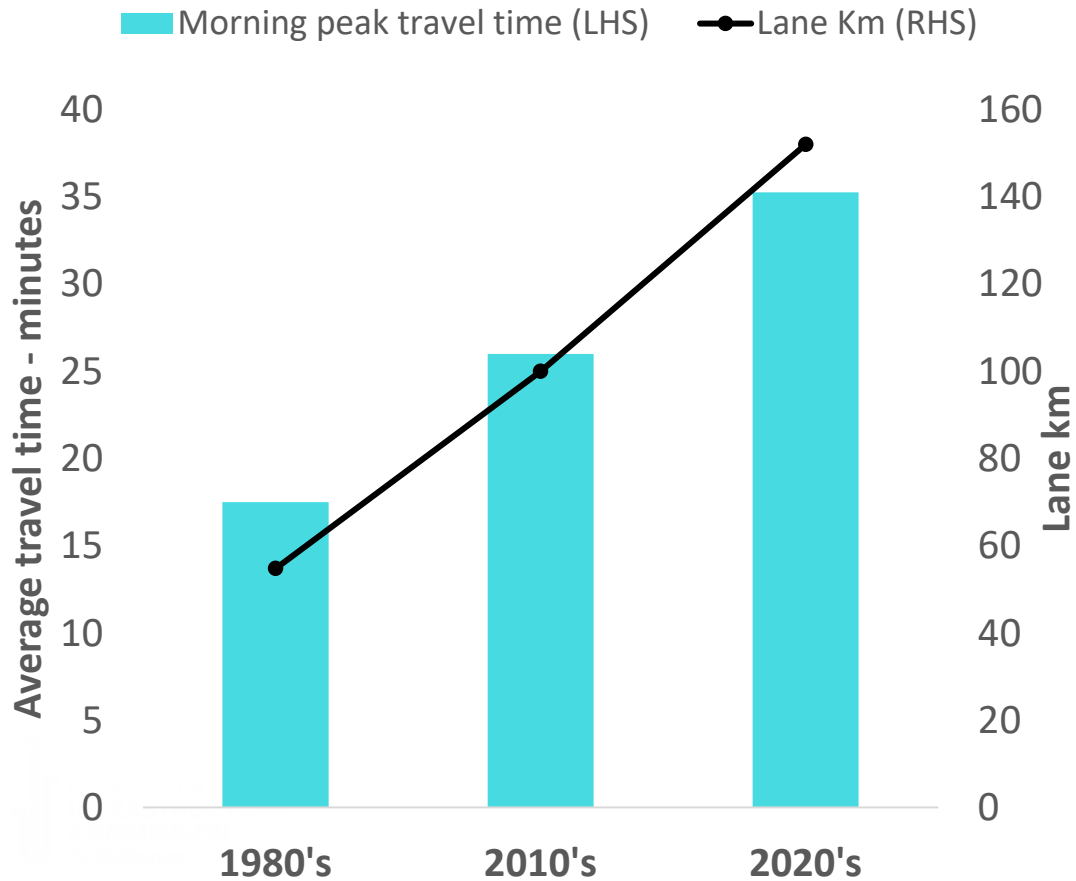




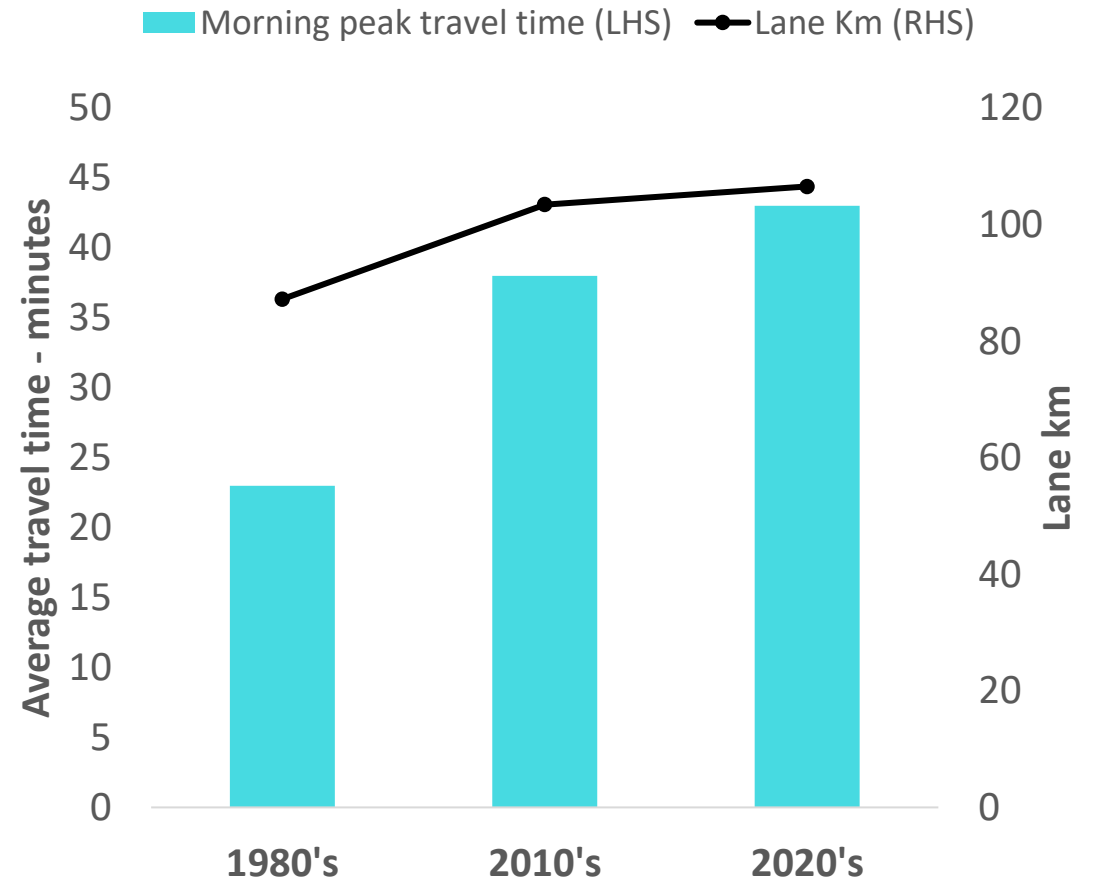
# Capital upgrades

## More motorways, more congestion

### SH16 Northwestern Motorway



### SH1 Northern Motorway



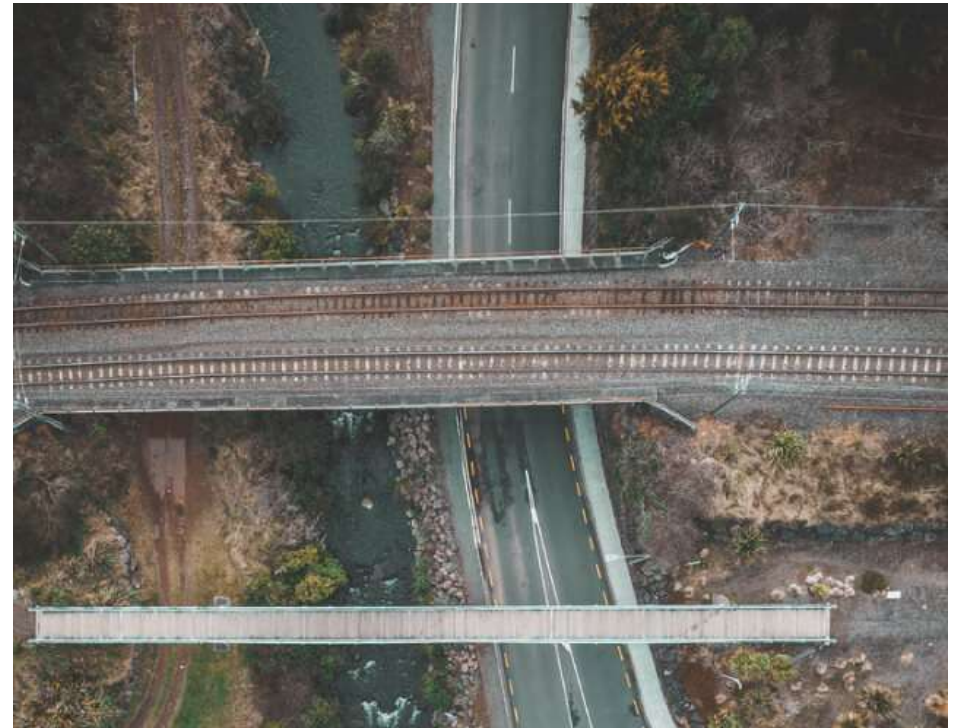


# What does this have to do with transport for future generations?

Ensuring that those who benefit pay – now vs. future



Asset Management – leaving assets in good condition





# Part 4: What can we do about it

## The role of infrastructure pricing

4

What can  
we do  
about it



# What can you do about it?

1

## Design high value for money projects

- Maintain what you have before building something new
- Look at lower cost and non-built options first
- Chase value, don't be 'cost blind'
- Design solutions that cost less than the size of the problem

2

## Use Pricing Signals

- Figure out how much people value your intervention
- Can you:
  - Use parking fees?
  - Use a toll/congestion charge?
  - Use a targeted rate?
  - Use revenue to guide investment?



# What are we doing about it?

1

## Infrastructure Priorities Programme

A process for us to identify the top infrastructure issues and solutions.

A public menu of priority infrastructure proposals that have been independently reviewed.

2

## Infrastructure Needs Assessment

Understand the long-term demand for infrastructure investment.

What are the financial implications of these drivers of demand?

3

## Priority Reforms

Identify policy and institutional changes that help achieve the desired goals.

Strengthen incentives across the infrastructure system



# What does good look like?

## Our Infrastructure Priorities Programme



### Strategic alignment

Does it align with the strategic priorities for New Zealand and sector level strategies?



### Value for money

Is it likely to provide value to society above the costs required to deliver, operate, and maintain it?



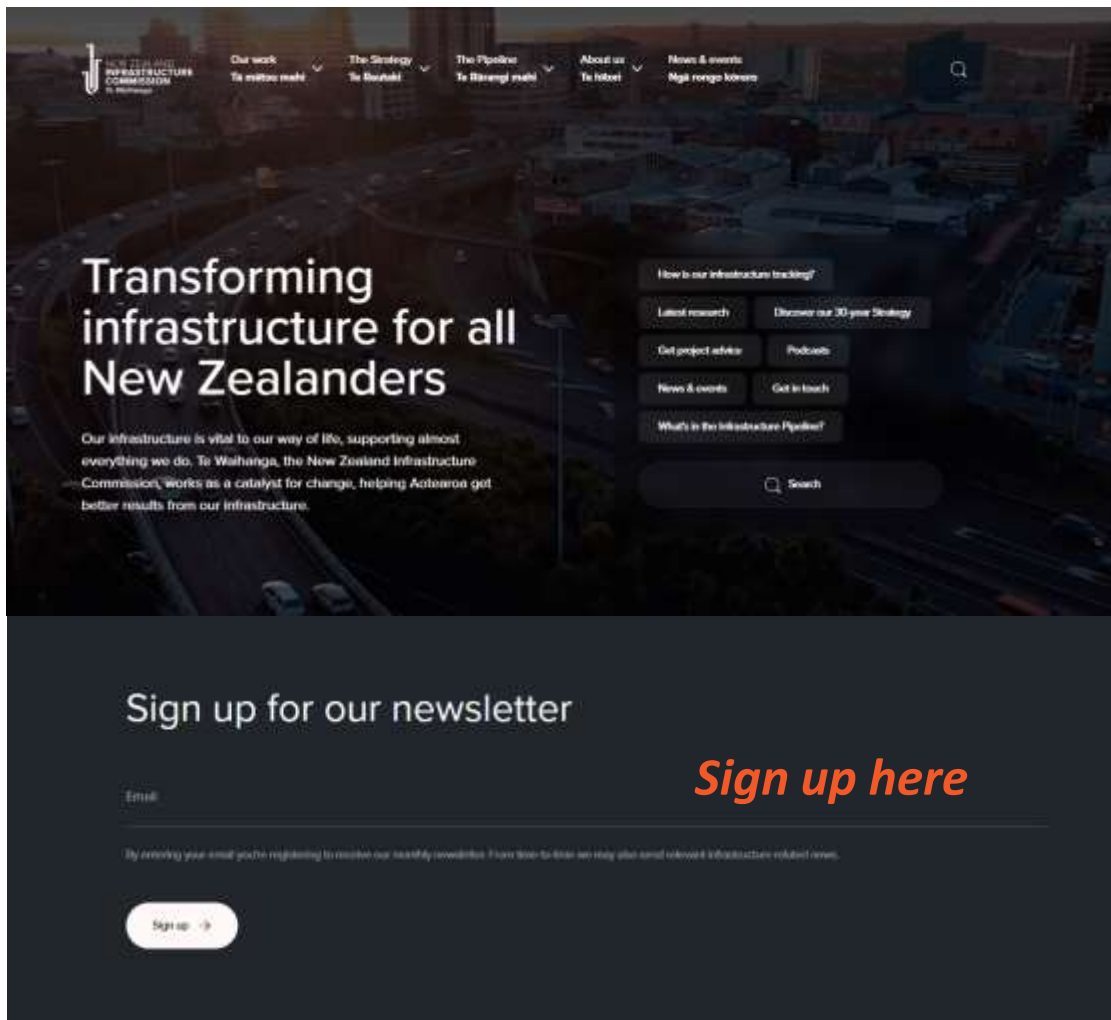
### Deliverability

Can it be delivered by the project's proponents and the construction industry?



# To find out more, visit our website

<https://tewaihanga.govt.nz/>





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**Thank you for your time**

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