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NZCID submission on the Infrastructure Plan Facts and Issues Paper

The New Zealand Council for Infrastructure Development¹ appreciates the opportunity to make a submission on the 'Infrastructure Plan facts and Issues' discussion paper released by the National Infrastructure Unit and for the ongoing opportunity that has been provided to NZCID to provide input into the development of the infrastructure plan.

This submission provides extensive feedback on what NZCID thinks the plan should achieve and the key issues to be addressed and gives detailed comment on issues by sector.

NZCID considers the facts and issues paper considerably undervalues the potential importance of the infrastructure plan as being a signature policy and investment programme to underpin the Government's plans to lift New Zealand's living standards.

While acknowledging the good start that has already been made in the areas of infrastructure investment, NZCID considers there is much more that needs to be done.

The infrastructure plan should be integral to the government's growth agenda. If New Zealand is to catch up with Australia, the plan should not simply be descriptive of 'business as usual'. Rather, the plan needs to promote innovative thinking. It should encourage markets to create and capture opportunities presented by technological change. It should clearly map public investment in infrastructure to be used as a driver of spatial development. It should help build industry certainty and investor confidence and smooth the boom bust cycles of investment through better, more integrated, delivery of public infrastructure investment.

¹ NZCID is a non profit organisation. Members comprise a diverse range of leading private and public organisations including infrastructure equity owners, financiers, constructors, service providers, public sector agencies, and major infrastructure users. Information on the Council, its members, policy and work can be found at www.nzcid.org.nz. In developing its policy position on infrastructure issues, NZCID consults extensively with its member organisations, undertakes workshops and seminars on policy and undertakes independent research. This submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations, some of whom will be making their own individual submissions.

In determining the plan for investment, funding should follow strategy. Therefore it is important to assess the size of the funding gap and determine how it can be bridged. Tools need to be developed to assess whole of life returns from investment and to assess value for money from alternative methods of procurement.

New Zealand needs to learn from the experience of others through benchmarking performance against other countries that we seek to compete with. We should design legislative and regulatory processes that give us a competitive edge. We should proactively seek out and engage the support of industry and all of the stakeholders across each sector to agree the priorities that must be addressed, capitalising on the knowledge that is already at hand, and use the plan as the guiding document to set the agenda ahead.

Development of a plan that achieves the outcomes described above is a significant task. In our view the size of the task, and its importance as a central component of the governments productivity and growth agenda, means that the Unit needs to have strong internal capability, draw on the knowledge and expertise of industry specialists and have full Ministerial support for the work that it does. NZCID recommends the governance and organisational composition of the National Infrastructure Unit should be strengthened to ensure that it has the best mix of public and private sector expertise and be supported by a high level Ministerial grouping of Cabinet to ensure that the unit has the requisite knowledge, skills and authority to undertake the task before it.

Development and elaboration of points in support of these observations are provided in the sections which follow.

An infrastructure plan to underpin the Governments aspirations to lift NZ living standards

NZCID fully endorses the priority that government is giving to developing the national infrastructure plan for New Zealand. We see the development of the plan as a lead component in achieving the government's overarching goals for social, economic and environmental development.

Improving productivity to lift New Zealand's living standards is a central tenet of the economic growth agenda. The government has established a target of catching Australia by 2025.

In this context, the plan must be ambitious in its approach. It must set the programme for addressing the infrastructure constraints that are currently inhibiting productivity growth. It should ensure timely, value for money, investment in national infrastructure. This requires investment that will both enhance living standards and raise New Zealand's overall global competitiveness as a place to live in and invest.

To this end NZCID contends that the infrastructure plan should aim to position New Zealand in the top quartile of the OECD for infrastructure quality to complement the nation's natural beauty and lifestyle

qualities. By 2030 New Zealand should be seen by its people, tourists, and potential immigrants and investors as being all of the following:

- An easy place to get around with high standards of safety on the national highways, much less congestion than competing cities of equivalent size, a wide range of customer friendly alternative transport options, and a highly efficient freight and commercial transport network that enables easy access of goods to market both domestically and internationally
- A digitally connected society with affordable ultra fast broadband connections to the world
- A nation renowned for pristine water quality provided through fair and efficient market based allocation of water rights and best practice management of its water infrastructure assets
- Plentiful supplies of low priced, low carbon, energy at competitive prices with no transmission or distribution network constraints
- A high standard of urban amenity afforded by strong integration of infrastructure development and land use planning
- World class conference, sports and events facilities to compliment our natural beauty making New Zealand a unique destination for international events
- A regulatory and legislative environment that is renowned for efficiency of processing of applications for development, clear national policies and standards to guide compliance, and highly efficient planning and approval processes
- A nation that is at the leading edge of procurement and asset management and a leader in the Asia Pacific region in infrastructure advisory services and innovative infrastructure delivery capability

In short, world class infrastructure that helps make New Zealand a great place to live work play and do business.

A good start has been made already

We acknowledge the work that has been committed in this regard. Already the government has moved to address some of the complex regulatory processes and governance structures that have held up investment in productive infrastructure. Key initiatives include reform of the Resource Management Act and reform of Auckland governance. It has committed to investment in broadband infrastructure to help leverage New Zealand's digital connectivity to the world. It is improving transportation connectivity through increased investment in roads, rail and tourism walking networks. It has placed emphasis on achieving security of electricity supply at competitive prices having commissioned the electricity market review. It seeks to optimise the allocation and use of water. Finally it is looking to maximise the effectiveness of government's ownership of and investment in public infrastructure such as schools, hospitals, prisons and the like.

NZCID agrees that these are the appropriate areas for focus in terms of the development of the infrastructure plan. But in our view there is much more to be done.

Being ambitious for New Zealand and thinking ahead

The Prime Minister has said that he is ambitious for New Zealand. Most Kiwis identify with that aspiration. If we are to support him in this goal and if we are truly ambitious for the country, we need to lift our vision of what we want to achieve and then decide how we do it. The infrastructure plan therefore needs to look less at what we've got and more about where we should be headed. It should set the priorities for the future action; achieve alignment around our common goals as a country and lead the infrastructure policy and regulatory reform agenda to get us there.

NZCID members are concerned that the tone of the current discussion paper is dismissive of the significant issues that have inhibited infrastructure in New Zealand. The analysis creates the impression that the issues have been or are largely being addressed.

If New Zealand is to catch up with Australia, the infrastructure plan should not simply be descriptive of 'business as usual'. It needs to drive innovative thinking and at least keep up with technological change. While there may be reasonable comfort surrounding the current level of investment in electricity generation, based on the assumption that past demand trends will continue into the future, will investment be sufficient to provide for a substantial shift to electric vehicles, for example? On Thursday last week France launched the "battle of the electric car" as it unveiled plans to invest 1.5 billion Euros on infrastructure for the two million electric and hybrid cars it wants on the road by 2020.² The money will mostly be used to build infrastructure and a million battery charging points will be built by 2015, 90 percent of them in private homes but also in car parks and at roadside sites. Similarly many economies are investing in "smart grid" technology to resolve the problems traditionally associated with the intermittent nature of renewable energy.³ Is New Zealand investing enough in technology to keep pace with international trends?

If New Zealand is to catch other OECD leaders, we will have to be much more ambitious for the country, take the lead in the areas that we have a competitive edge and, at the very least, keep pace with and be very fast adopters of technologies of the future.

² See article at <http://www.google.com/hostednews/afp/article/ALeqM5hZhuMvZKvJM36Q7zC339ocRVNhGw>

³ See article from The Economist available at http://www.economist.com/sciencetechnology/tq/displayStory.cfm?story_id=13725843

What should the plan achieve?

Leading spatial development and growth through infrastructure investment

A feature of many of the nations New Zealand competes with on the global stage, including the individual states of Australia, is that they have better integration of planning, funding and implementation of public investment in infrastructure. Planning takes a holistic long term approach and has strong “whole of government” leadership and support. Infrastructure plans lead spatial development of cities and regions. Plans are better integrated across the levels of government. They are supported financially by budget appropriation typically over four or five year cycles developed within the context of ten and twenty year infrastructure investment programmes. There is strong interaction between the public and private sectors in the provision and operation of physical infrastructure.

Building industry certainty and investor confidence

From this perspective it is NZCID members’ expectation that the New Zealand Infrastructure Plan will prioritise public investment in projects of national significance, identify and seek to remove the unnecessary barriers to private provision of national infrastructure, and identify the necessary policy reforms and funding mechanisms to enable timely delivery of infrastructure projects that will drive social and economic development.

One of the stated purposes of the plan should be to give confidence and direction to infrastructure providers and advisers that there is a pipeline of projects across the infrastructure sectors that government controls. This will give them the confidence to invest in their own productive capacity and encourage those with the skills and expertise to stay and invest in New Zealand.

It is expected that the plan will consolidate and monitor implementation and success of the policy programme to address known barriers to delivery of that programme and advance best practice in project procurement and delivery.

The plan should also promote a ‘whole of government’ approach to the infrastructure deficit including, for example, alignment of education, training and immigration policy to encourage the development and retention of the particular skill sets necessary to fulfil the plan. Other policy areas should link to, and be consistent with, the plan.

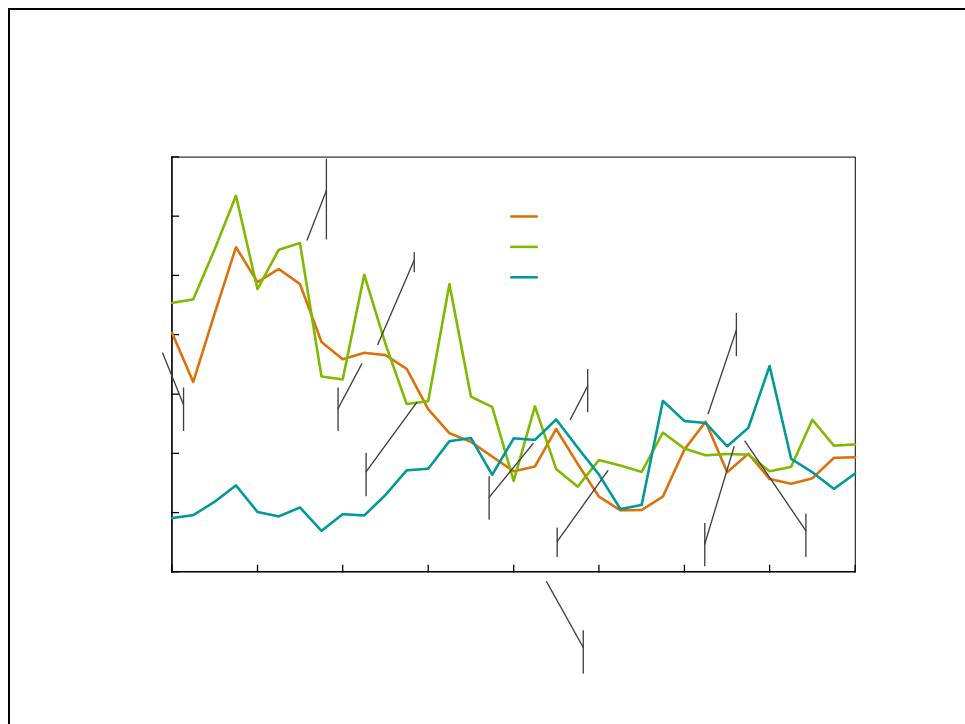
Helping Smooth the Boom Bust Cycle

A key concern of infrastructure providers in New Zealand has been the stop start nature of investment in national infrastructure. This is illustrated by the graph below which plots investment in transport, energy, water and telecommunications as a proportion of GDP over the last three decades. The boom bust cycles of across all sectors are clearly evident. Boom cycles cause inflated prices and reduced competition due to full order books, whilst recessionary trends lead to competitive cost cutting with

reduced industry investment in people and capital investment and reduced quality. These cycles could be ameliorated by government and its agencies, at least in part, through better planning, funding and delivery of projects to market. In turn, this will require better consolidation of data about investment programmes at the national level, and better monitoring of implementation of the those projects.

It is concerning to note the difficulty that the National Infrastructure Unit has experienced in just collating the government’s overall investment programme, the comparatively short forward projections of many government departments that have been highlighted by this process, and the apparent overall poor quality of asset management across the government sector. While local government asset management processes have a lot to offer central government, even then it is clear that standards vary considerably across the local government sector and its is of concern that it is not possible to easily collate LTCCP data at a national level.

Fig 1: Infrastructure investment as a percentage of GDP



NZCID considers that a central tenet of the infrastructure plan must be the consolidation of data on central and local government infrastructure investment. This information should be used to help streamline the planning and funding processes to deliver projects to market in a more consistent and timely basis. This will help improve industry capacity development and, in the end, provide better value for government.

Moving from planning to action

It is important that development of the infrastructure plan is supported by a funding plan and that their implementation and delivery will be monitored and reviewed.

There is a danger in planning processes that plans can become wish lists. This has been typical of planning documents in the Auckland context where the experience has been that aspirational documents have not been supported by alignment of the respective agencies and funding necessary to deliver on the plans.

In this regard the plan should become an important accountability mechanism against which the progress of government and officials against the delivery of the strategic goals and policy processes can be transparently measured.

The plan should be able to be used by stakeholders and government itself to hold respective ministries and agencies to account for the quality of their infrastructure procurement and asset management practices.

Key issues to be addressed

We acknowledge that the initial report prepared by the National Infrastructure Unit is to provide background and context for stakeholder engagement on the content and direction of the first Plan. This paper provides feedback in that context.

Funding should follow strategy

NZCID is concerned that the current tenor of the facts and issues paper is that strategy must necessarily follow funding. This is most relevant in respect of discussion on transport investment, but is a persistent theme throughout the paper.

While there will always be an essential trade off between aspiration and ability to pay, our view is that funding should follow strategy. That is, the starting point for analysis of New Zealand's infrastructure needs should not be how much money do we have and how should we allocate it but rather, what is the infrastructure that New Zealand will need to meet population growth, demographic and technological change, environmental and social imperatives and to deliver on the three to five percent growth necessary to match Australian living standards by 2025? This will lead to consideration of innovative means of financing projects and consideration of longer funding horizons for long life assets.

There is no doubt that shortage of funds is a major impediment to projects being undertaken. The facts and issues paper has insufficient analysis of funding and does nothing to identify and quantify the size of the funding gap. Alternative approaches to long term financing of projects through application of user

pay's funding and alternative funding mechanisms such as application of PPPs and other debt financing options receives only cursory attention. Similarly there is insufficient analysis of local government funding constraints. A realistic assessment of whether there needs to be changes in public funds management needs to be examined.

Understanding the size of the funding gap

New Zealand has traditionally dealt with bridging the funding gap for the provision of publicly funded infrastructure by deferring projects into the future. This is evidenced by the fact that during the 1990's transport projects were not being funded unless they had a benefit cost ratio of four or more.

The result of this approach has been that an ever increasing bow wave of unfunded projects of national significance has developed, and New Zealand is now in significant catch-up mode.

While this has improved over the recent decade, there remains a long list of transport projects with relatively high benefit cost ratios which remain unfunded. Many more have not been adequately costed or benefits assessed. Transport funding provides an obvious example of this. To date only one of the seven roads of national significance have been fully committed for funding, and of the 36 other significant roading projects expected to be implemented 2009/12 listed on pages 79-80 of the facts and issues report, less than a third are fully funded, a similar amount are funded in part and 15 do not have committed funding.

Taking a longer view, NZCID estimates there is an additional \$20 billion of capital projects over the next 20 years that will need funding over and above current funding projections.

A key part of the planning process must be to confirm the the size of the funding gap to inform decisions about how government can either bridge the gap through new innovative funding approaches, or prioritise its infrastructure investment programme.

Assessment of return on investment

To this end it is imperative that government develops and applies a robust measurement tool that will help it satisfactorily assess the long term social, environmental and economic return from its infrastructure investment. We consider that this must be a priority initiative for the National Infrastructure Unit in the development of the infrastructure plan. How else can government prioritise its own infrastructure spend?

While cost benefit analysis is one tool that can be used, traditional application of that model, such as in the transport sector for example, has tended to focus on relatively narrow measures of productivity whereas the primary driver for investment has been wider social and environmental benefits, spatial

development, industry growth and development together with wider connectivity and productivity benefits that flow from this investment.

The economic effects of certain types of new infrastructure may have very long-lived dynamic impacts. The return from major infrastructure investments must therefore be considered over a very long time horizon. Agglomeration benefits from infrastructure projects are unlikely to be well identified within traditional cost: benefit analyses. Such analyses also tend to omit future benefits from unimagined opportunities that may arise in association with new infrastructure (e.g. unexpected uses of broadband and electricity). The discount rates applied to long-term costs and benefits of projects should be critically examined to ensure uncertainty about future benefits (in particular) does not lead to dismissing them outright.

These wider perspectives can be captured, in part at least, by general equilibrium model and agglomeration economies evaluation approaches and are worthy of more detailed consideration as tools to inform the decision making process.

For these reasons, NZCID considers formulation of an agreed evaluation framework to assist prioritisation and allocation of limited government funding for infrastructure needs to be an essential component of the infrastructure plan.

Need for integrated approach to planning

The preceding discussion noted the focus in other jurisdictions on integration of public infrastructure investment. This includes integration of land use planning within and between local government and alignment with delivery of nationally funded infrastructure such as roads, rail, schools, hospitals and other public facilities. This will set the context for supporting private sector investment decision making. Accordingly, it will be important the infrastructure plan provides the mechanism for strong alignment between central and local government investment in infrastructure.

Nowhere is this more critical than in the development of Auckland, given the significance of the level of investment that is or will soon be underway in New Zealand's largest city. The plan must address the need for integration of government investment with local government investment in urban amenities. It must also recognise and support the importance of private sector industrial and commercial development and support investment in key infrastructure assets such as ports and airports. The current discussion paper largely ignores this essential element and focuses instead on a sector by sector analysis. The plan should capitalise on the opportunities for synergy in planning between and across the sectors and the various levels of central and local government.

Value for Money

Finance Minister Bill English has made it very clear that the government's focus is to ensure that it achieves value for money from both its existing assets and its future investment portfolio including a focus on whole of life costs. The plan needs to set out in detail how this will be achieved including how government agencies will be assessed on their asset management programmes in ensuring a whole of life asset management value for money focus. Currently it is apparent that project evaluation focuses on initial capital outlay with little if any detailed assessment of operation and maintenance risk and associated whole of life costs.

A means to achieving value for money is through procurement. NZTA has recently released a detailed Procurement Manual which addresses various delivery models that should be considered in the land transport sector. The manual takes a strategic approach to procurement. Its principles are commended for potential application in the wider context of infrastructure investment and management.

Removing the roadblocks to implementation

Reducing regulatory clutter and unnecessary red tape are among the government's six priority issues for lifting economic growth. As noted in the report, major infrastructure projects of national and regional significance from road and rail projects to prisons, electricity generation plants to waste and water treatment facilities currently have to run the gauntlet of multiple legislative hurdles which can and have been used to hold up projects for many years. Among others these include; the Local Government Act 2002; the Public Works Act 1981; the Foreshore and Seabed Act 2004; the Historic Places Act 1993; the Reserves Act 1981 the Reserves and Other Land Disposal and Public Bodies Empowering Act 1915; the Land Transport Management Act 2003, as well as the Resource Management Act 1999. All can and do provide a minefield of opportunities for those who oppose a project to hold up progress through the courts.⁴

Consideration of a single consenting process, incorporating one dominant set of provisions governing strategic infrastructure, would streamline the consent process, remove duplicity, and provide a transparent process for all affected parties. Ireland and the Australian states have faced similar challenges and provide useful models for New Zealand.⁵

⁴ Wellington Inner City Bypass and Auckland's Mt Roskill Extension and Northern Gateway projects are obvious examples where various Acts were traversed before final project approvals were obtained.

⁵ In 2006 the Irish Government introduced the Planning and Development Strategic Infrastructure Act. This established a Strategic Infrastructure Division of the National Planning Board which provides a one-step consent process (with provision for consultation with the decision makers) for energy, transport, waste and water infrastructure projects.

2005 the New South Wales State government amended their Environmental Planning and Assessment Act to streamline consents for critical infrastructure projects, without compromising on environmental outcomes. The need for additional approvals under eight other Acts was replaced by a single integrated assessment and approval process

NZCID considers this is a key issue to be addressed in the plan.

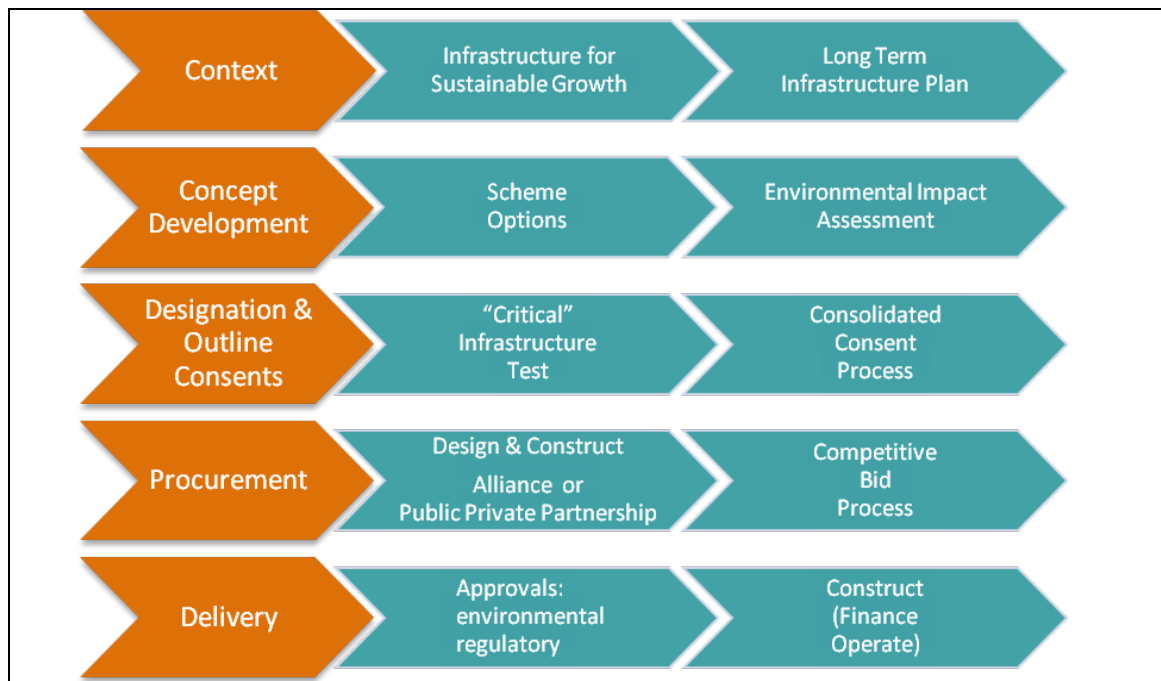
Encouraging Innovation in the delivery of service outcomes

The report touches on potential changes to the RMA proposed by NZCID to improve innovation in project procurement. While it is currently possible under the RMA to apply for resource consents on a “worse case envelope” of environment effects, existing custom and practice seldom operates in this fashion. More often than not, proponents are required by local authorities to continually provide detailed information on projects under section 94 of the Act, or are required by the Court to have defined the proposed project in detail so that it can pass judgement on environmental effects. This has led to standard practice being to provide detail designs so that the effects can be assessed in detail by the consenting authority or the Environment Court as the case may be. Consequently, by the time the project goes to market, there is little scope for design innovation or opportunity to deliver improved value or even better service or environmental outcomes. This has the potential of substantially inhibiting innovation in design and project delivery which is one of the very reasons for proceeding with sophisticated procurement options such as Alliances and Public Private Partnerships.

NZCID proposes an alternative approach where an application for designation equivalent for resource consent would necessarily require an Assessment of Environmental Effects which would enable the approving authority to make a strategic assessment of effects to determine the conditions that would ultimately need to be satisfied within the design of the project. Subsequent designs would then be subject to a compliance check prior to approvals to proceed being granted.

The following diagram illustrates how such an approval process might work within the context of the long term infrastructure plan. Under this process, rather than the public agency defining the infrastructure asset to be delivered to meet the service need, an outline specification of need would be developed, following initial scheme options assessment and analysis of environmental impacts. Assuming the project was a critical infrastructure project, a consolidated approval process would be undertaken to identify all legislative requirements that would have to be satisfied. This would specify the envelope of environmental effects, standards, or legal requirements that the final project design must meet. This, combined with the service specification would form the basis of the of the design bid process. Bids would then be assessed against the predetermined value for money and design criteria to determine the successful bidder, prior to final regulatory consents being determined.

Fig 2: Streamlined planning consent process



NZCID considers that the plan needs to include a work stream that evaluates options for more innovative procurement practices. The focus should be on how best to deliver value for money service outcomes over time, rather than the current excessive focus on the initial capital outlay and comparatively light assessment of the whole of life risks associated with construction operation and maintenance of a project.

Benchmarking Performance

The facts and issues report includes few comparisons with other jurisdictions. NZCID’s experience has been benchmarking current NZ practice against overseas experience can throw substantial light on New Zealand’s relative performance and assist in identifying opportunities for improved performance.

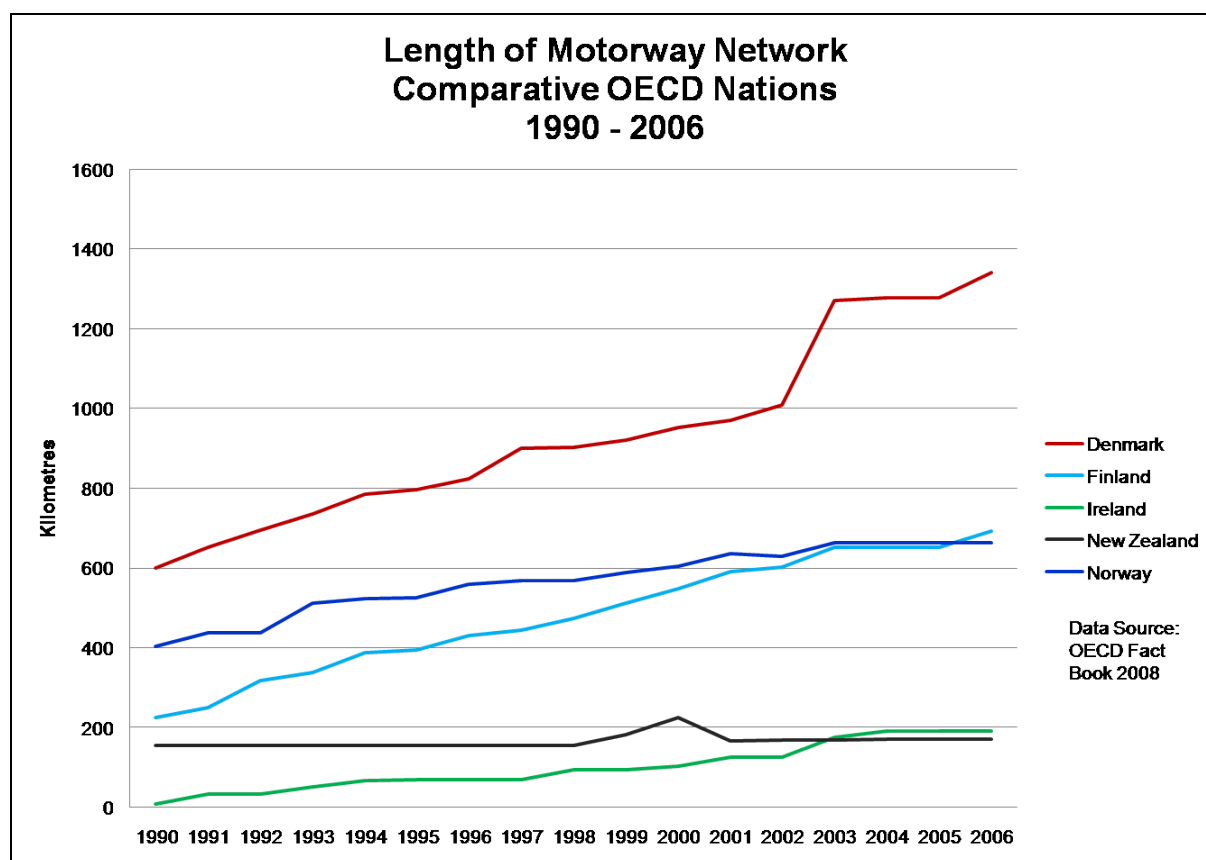
The report quotes New Zealand’s ranking for perceived infrastructure quality as described by the World Economic Forum’s Global Competitive Survey. This is useful, as it depicts how New Zealand is seen by potential business investors as a place to do business in.

It is also useful to compare New Zealand’s infrastructure stock against both Australia, with whom we seek to compete, and other OECD nations of comparative size and scale. The following comparisons are illustrative of this point.

Figure 3: Comparison of Infrastructure: New Zealand v's Australia and OECD nations of similar size and population

	NZ	Ireland	Finland	Norway	Denmark	Australia
Land Area (sq km)	268,680	70,289	304,473	307,442	42,394	7,617,930
Population (m) 2009 est	4.3	4.4	5.3	4.8	5.5	21.9
GDP /Capita PPP \$US 2008 est	27,027	44,195	35,426	58,141	36,604	35,677
Railways (km) 2006	4,128	1,919	5,919	4,114	2,667	38,550
Roads (km) 2006	93,576	96,602	78,821	92,946	72,362	812,972
Motorways (km)	182	1,000 by 2015	700	664	1,032	
OECD Ranking 2006	22nd	4th	16th	2nd	12th	8th
Transport Ranking (IMD)	31 st	35 th	7 th	23 rd	4 th	21 st
Energy Ranking (IMD)	35 th	34 th	8 th	11 th	4 th	27 th
Broadband Ranking (Internet NZ)	22 nd	24 th	9 th	3 rd	15 th	17 th
Investment (gross fixed) as % GDP (2007)	22%	21%	21%	21%	22%	29%
Public debt as % GDP (2008)	25%	42%	33%	44%	33%	14%

Fig 4: Length of Motorway Network: Comparative OECD Nations



The Irish government has identified poor quality infrastructure to be a key constraint on future economic growth and is investing heavily in its national infrastructure. Ireland's latest National Development Plan - "Transforming Ireland – A better Quality of Life for All", provides investment of some €184 billion (\$NZ360 billion) from 2007 to 2013 across Ireland's economic and social infrastructure, the enterprise science and agriculture sectors, the education, training and skills base of the people, and environmental services. The five Investment Priorities of the Plan are:

	€ billion
Economic Infrastructure	54.7
Enterprise, Science and Innovation	20.0
Human Capital	25.8
Social Infrastructure	33.6
Social Inclusion	49.6
Total	183.7

The plan is designed to tackle Ireland's economic and social infrastructure deficits in areas such as Transport, Energy, Housing, Water, Education and Health to achieve balanced spatial development across the nation. This is funded by a 7-year Central Government Capital Envelope of almost €80 billion (\$NZ160 billion approx).

Of particular note is the marked contrast in the level of investment in motorways illustrated in the OECD chart. This tends to reinforce the governments current commitment to investment in transport connectivity.

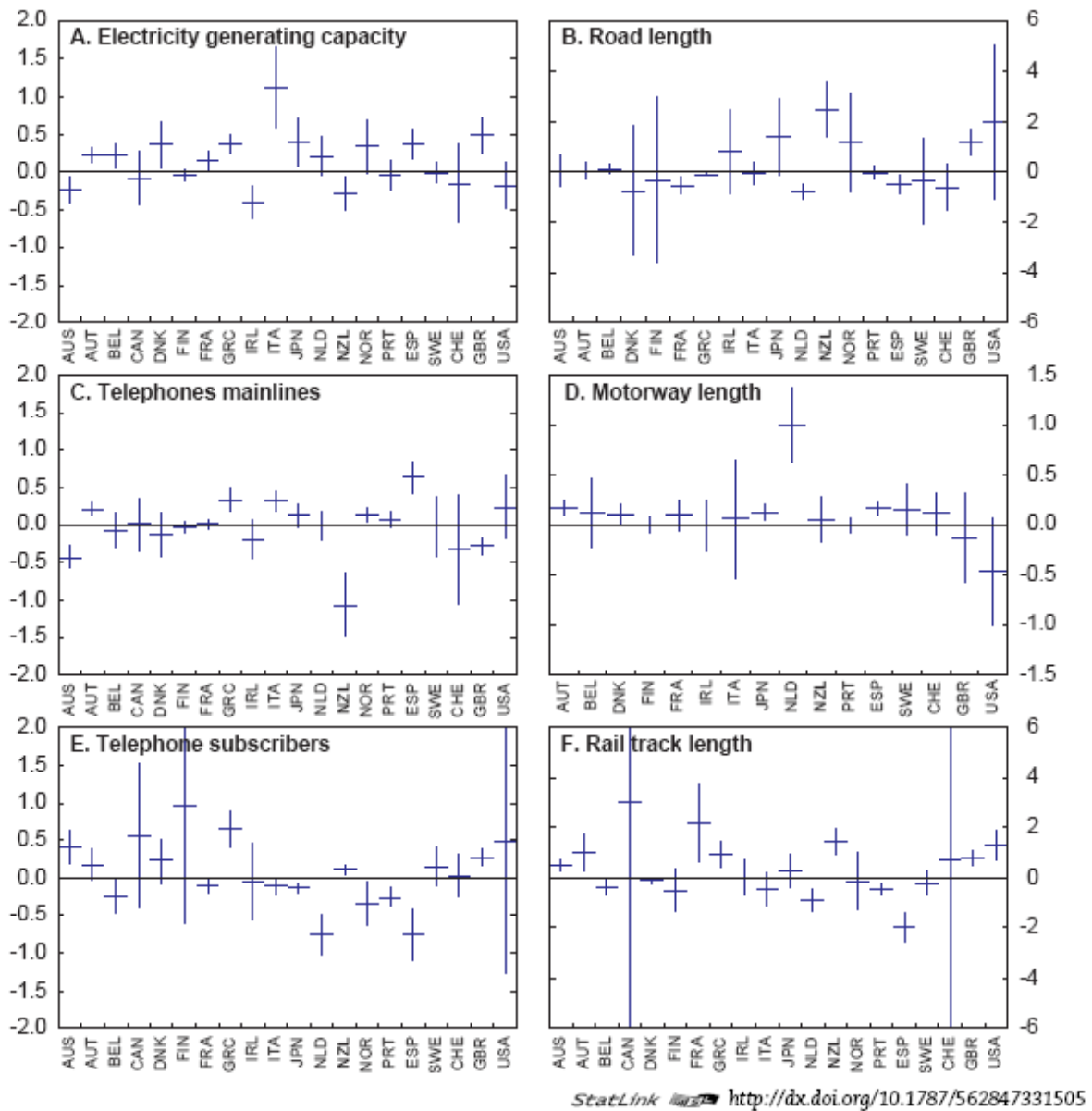
While the direction of causality is hard to determine convincingly, the OECD report on the New Zealand Economy notes that :

"Recent cross-country studies have used sophisticated econometric techniques to untangle these effects and have confirmed that greater provision of broad measures of infrastructure is associated with higher subsequent growth rates (Canning, 1999; Demetriades and Mamuneas, 2000; Esfahani and Ramirez, 2003). Recent OECD work also finds that the contributions of infrastructure to long-run output levels and growth go beyond normal additions to the capital stock (*i.e.* they generate positive externalities) and that they are not homogenous across countries (Égert, Koźluk and Sutherland, 2009) (Figure 2.11)⁶. In New Zealand's case, this work indicates that past investments in road infrastructure have yielded the greatest growth benefits."⁷

⁶ Source: Égert, Koźluk and Sutherland (2009) quoted in the following reference

⁷ OECD ECONOMIC SURVEYS: NEW ZEALAND ISBN 978-92-64-05429-5 – © OECD 2009, p72

Figure 2.11. **Impact of infrastructure investment on living standards**¹
1960-2005



Given the dependence of New Zealand on the roading network to support connectivity of our communities and the importance of tourism and commodity exports, this would seem to be an obvious priority area for investment. Similarly, an area New Zealand could do much better is to promote the tourist potential of our passenger rail network. The 'trans-alpine' is one example but there are many others if an integrated and strategic approach across a number of agencies was taken.

Progressing NZCID's earlier recommendations

The report acknowledges the work done by the New Zealand Council for Infrastructure Development (NZCID) and in particular, its booklet "Policy Priorities for Advancing Economic Infrastructure Development in New Zealand". This paper identified that while funding is a major issue that must be addressed, other key constraints surrounding effective delivery of national infrastructure have been the lack of strategic direction and oversight at central government level; fragmented governance structures within central and local government; poor alignment between vision and implementation; lack of clear responsibility and accountabilities for implementation; and unnecessarily complex regulatory and legislative approval processes.

We comment below on progress that has been made on addressing each of NZCID's policy recommendations listed in that report which included:

1. Recognition that provision of public infrastructure is an essential pillar of national development and productivity growth – **it is clear that this has been recognised by government**
2. Development of a prioritised twenty year New Zealand Infrastructure Plan as a lead component of the government's overarching plans for social, economic and environmental development – **work in progress**
3. Formation of an Infrastructure "cabinet" under leadership of a Minister for Infrastructure to provide strategic oversight at the highest level of government – **the appointment of the infrastructure portfolio is a key development, but the alignment with other key Ministries has yet to be achieved**
4. Appointment of a joint public and private sector infrastructure council "Infrastructure New Zealand" to:
 - advise Cabinet on a cohesive and integrated approach to policy reforms, project identification, prioritisation and delivery
 - develop a prioritised 20 year national infrastructure plan and programme,
 - provide on-going audit and review of the state of national infrastructure;
 - stimulate and advance best practise in the evaluation, funding and delivery of infrastructure – **work in progress**
5. Review of local body governance structures and processes to ensure alignment between national, regional and local government accountabilities for infrastructure development – **Auckland reforms will be precedent setting. There is much to be done to achieve alignment between national, regional and local thinking.**

6. Leveraging social, economic and environmental development through prudent use of public and private sector debt to fund the infrastructure necessary for growth – **the report and initiatives to date are weak in this area**
7. The paper set out a range of options for legislative reform of:
 - The Land Transport Management Act to provide for an integrated fully funded transport strategy as a component part of the New Zealand Infrastructure Strategy and to enable wider application of road tolling schemes and concessions to fund more timely delivery of transport infrastructure enhance value for money – **no substantive progress as yet**
 - The Resource Management Act to enable a consenting process for infrastructure projects of national significance, incorporating one dominant set of provisions governing essential infrastructure, to streamline consents by removing duplicity of process – **work in progress. The concept of a “one stop consent shop” for projects of national or regional significance as envisaged in the report and as applied in other jurisdictions has not yet received traction.**
 - The Public Works Act to provide flexibility to pay a premium to an affected party reflecting disruption of settled use of their property – **yet to be addressed**
 - The Local Government Act and the Corrections Act to remove provisions which inhibit private sector partnerships for the provision of public infrastructure. – **Corrections under action, Local Government Act is understood to be progressing**

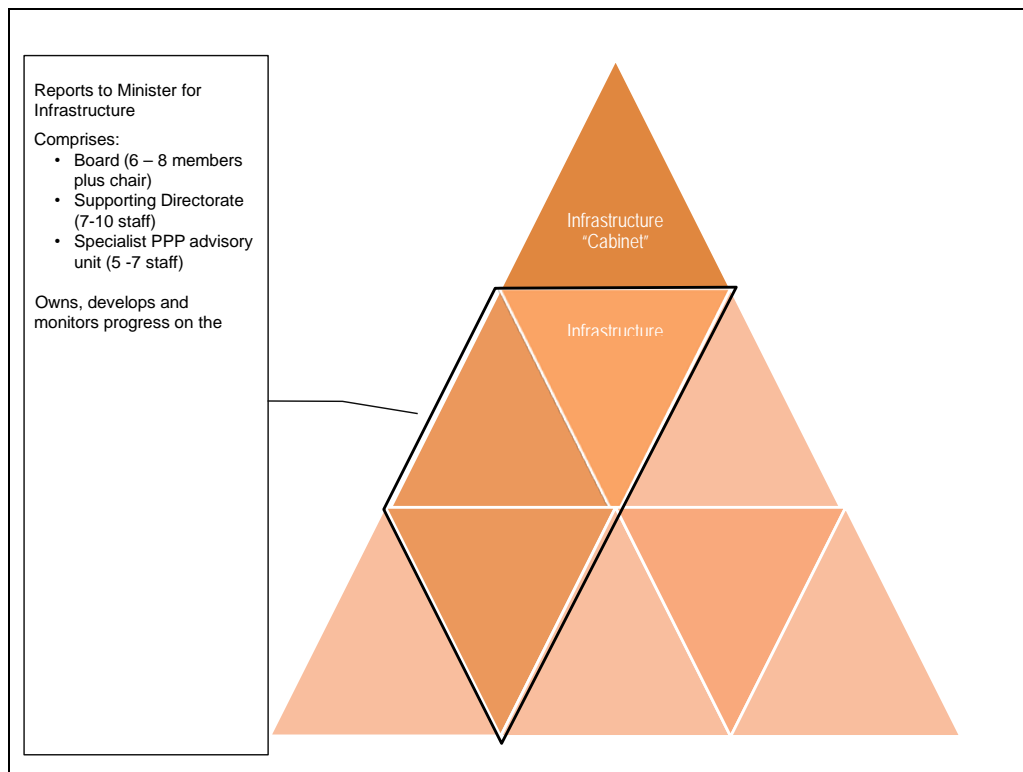
Strengthening the governance and capacity of the National Infrastructure Unit

NZCID considers that the National Infrastructure Unit should be a centre of excellence to support and develop ministry, and local government and capability in planning, coordinating, funding and delivering public infrastructure and to proactively promote and capitalise on opportunities for greater private sector involvement.

NZCID is concerned that the establishment of the National Infrastructure has been significantly under geared to date. NZCID acknowledges the challenges faced by the Infrastructure Unit in undertaking the very significant task before them. In our view the size of the task, and its importance as a central component of the governments productivity and growth agenda means that the unit needs to have strong internal capability and have high level Ministerial support for the work that it does.

Our vision for the strengthening governance and capability of the infrastructure unit which we recommend be renamed “Infrastructure New Zealand” is depicted in the illustration below.

Fig 5: Infrastructure New Zealand



The overarching governance and authority for the work of Infrastructure New Zealand would derive from the establishment of a key ministerial group – the infrastructure cabinet (a colloquial term for a committee of the key cabinet ministers with direct infrastructure related portfolios). The “infrastructure cabinet” chaired by the Minister for Finance and Infrastructure would oversee the development and implementation of the Infrastructure Plan. Members would comprise the Ministers of Finance, Labour, Economic Development, Environment, State Owned Enterprises, Local Government, Transport, and Communications; Housing and Building and Construction with others co-opted, as and when appropriate. The infrastructure cabinet would logically be formed as a sub-committee of the Economic Growth and Infrastructure Committee. Members would ensure the necessary leadership, interaction, alignment, monitoring and accountability within their respective Ministries and provide budgetary support and consistency between Infrastructure New Zealand and the relevant public policies and programmes.

Infrastructure New Zealand should comprise three component parts: the board, the directorate and the procurement advisory unit.

The infrastructure board, comprising current members would be empowered take a stronger leadership/governance role as opposed to the predominant advisory role it currently has. Its authority would stem from its ability to report directly to the Minister for Infrastructure. This is designed to

incentivise management to ensure strong alignment of thinking between the board and the executive group on the infrastructure directorate.

The infrastructure directorate would have dedicated staff (as opposed to reassigned treasury staff as is currently the case) and would draw on private sector as well as public sector expertise – a 50/50 mix would be desirable. Its primary responsibility will be the development and monitoring of implementation of the infrastructure plan, whose component parts will be the responsibility of the respective ministries.

The procurement unit – a unit within the directorate- would comprise experienced practitioners drawn from the private sector. It would be the government's champion for best practice in infrastructure procurement and to provide policy support and guidance to relevant government agencies.

Infrastructure New Zealand would provide key government interface with the relevant ministries, government agencies, SEOs and the private sector on infrastructure matters. The unit would be the centre of excellence in procurement and asset management providing the relevant expertise and advice to government departments.

NZCID recommends the governance and organisational composition of the National Infrastructure Unit should be reviewed and strengthened; that the unit renamed as described above; and that a ministerial group be established (potentially as a sub-committee of the Economic Growth and Infrastructure Committee) to coordinate and oversee ministry support for Infrastructure NZ's work.

Key Issues by Sector

In response to the questions raised within the request for submissions NZCID members have identified the key issues relevant to the infrastructure development by sector. These are summarised in the following tables. We have coloured coded those areas where we think satisfactory progress is being made (indicated in green), where work is currently commenced or under development (indicated in amber) and where substantial work needs to be done to redress current policy gaps (indicated in red).

While these are critical issues that NZCID considers the plan must address having canvassed the views of its member organisations, full analysis of issues and opportunities by sector requires extensive involvement of stakeholders across each individual sector. NZCID recommends the plan should entail the establishment of industry working groups for each sector charged with the responsibility of undertaking an extensive review of challenges and opportunities by sector as an input to the second generation plan.

Transport

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>Poor alignment between national and regional transport strategies and direction especially in Auckland</p> <p>Apparent fragmentation between decision making at the national, regional and district level and tensions between national, regional and local priorities and interests</p> <p>Regional transport plans generally not supported by a nationally agreed and funded long term infrastructure investment programme</p> <p>Uncertainties surrounding project approval processes undermine infrastructure sector</p>	<p>Reliance on “pay go” funding</p> <p>Transport projects with positive benefit cost ratios and or wider social and environmental benefits are being held up for want of funding</p> <p>Funding constraints have and are delaying completion of strategic routes (eg Auckland Western Ring Route, Waikato Expressway), investment in rail infrastructure and rolling stock and improvements to public transport services and other alternative transport modes</p> <p>No apparent direct linkage between long term</p>	<p>Projects can take up to a decade to gain approval</p> <p>While RMA Call In will facilitate processes, other legislation including approvals under the LTMA, Historic Places Act and other legislation can delay projects considerably.</p> <p>A one stop consents shop for projects of national significance could potentially provide for all legislative requirements to be considered in one integrated process</p> <p>Costs of social and environmental mitigation are significantly driving scope creep and affecting project viability</p>	<p>The Land Transport Management Act does not require subsidiarity of planning between a National Transport Plan and Regional Transport Plans</p> <p>There is a disconnect between the long term focus of the LTMA and National Transport Strategy and the comparative short term 3 year focus of the Government Policy Statement and the National Land Transport Programme</p> <p>LTMA limits application of tolling to new roads, thereby preventing road users from potential benefits of using revenues</p>	<p>Excessive focus on initial capital outlay in investment decisions and lack of attention on whole of life costs of projects</p> <p>Need to recognise that competitive (least cost) pricing does not always yield best value for money and that competitive bidding costs will inevitably have to be recovered from the public sector client(s).</p> <p>Lack of understanding training and application of advanced procurement techniques such as Early Contractor Involvement, Alliance contracting and PPPs</p> <p>Failure to date to bring</p>	<p>The social and economic cost of travel delay in Auckland is significantly worse than cities of comparable size (evidenced by EY study of 1997, comparative travel time delay statistics undertaken by NZTA, and World Economic Forum surveys).</p> <p>State highways between and arterial routes within main urban centres of Auckland, Hamilton, Tauranga, Wellington and Christchurch experience significant delays due to traffic congestion.</p> <p>KiwiRAP surveys show that significant sections of state highway and local road network do not meet accepted safety design standards.</p> <p>NZ has the shortest length of motorway standard roads as compared with other OECD nations of comparable size and population.</p> <p>Many bridges on local roads are reaching the end of their economic life.</p> <p>Road surfaces, bridges and tunnels on state highways and local roads are inadequate to handle larger dimension t</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>confidence causing consequential underinvestment in training and productive capacity</p> <p>Public local authority ownership of Ports appears to be sub optimal from a commercial , freight logistics and infrastructure investment perspective</p> <p>Upgrading all ports to handle larger ships including the landside infrastructure to support the logistics supply chain is not economic use of limited public funds</p> <p>The impact of climate change on transportation infrastructure and services is generally still to be addressed.</p>	<p>aspirations, plans and funding</p> <p>Constraints on funding have resulted in strategic projects being completed in sections, with each section having to be consented iteratively causing consequential delay in project approvals</p> <p>Wider social, environmental and economic benefits of infrastructure investment not systematically captured in investment decision making processes</p> <p>Fuel efficiency and use of alternative energy sources will diminish the viability of fuel excise duty as a funding source for transport investment.</p>	<p>Regional Policy Statements generally fail to recognise the strategic significance of transport corridors to “enable people and communities to provide for their social, economic, and cultural wellbeing and for their health and safety” (RMA)</p> <p>Regional Policy Statements generally consider infrastructure from an adverse environmental effects perspective and lack a proactive focus on nurturing social and economic prosperity.</p> <p>The practice of requiring detailed specification of projects before consent can be obtained under the RMA is difficult to reconcile with the need to</p>	<p>from existing roads to fund increased capacity</p> <p>The 35 year maximum term for concession agreements may limit value for money for the public sector by reducing the extent of risk transfer that might otherwise be possible and requiring government subsidies</p> <p>The LTMA involves unnecessarily complex criteria and doubling up of approvals for toll roads and concessions</p> <p>The LTMA enables predominance of local interests over national and regional interests in decisions about transport projects in general and toll roads and concessions in particular</p>	<p>major PPP opportunities to the market</p> <p>Public sector (monopoly) control of provision of roads and transport services is crowding out potential for private sector innovation in competitive delivery of services.</p>	<p>There is a long list of road projects within the NLTP with a benefit cost ratio of more than 1 that are not funded within the next three years.</p> <p>Passenger transport services (especially rail) are insufficient to meet acceptable service frequency and standards necessary to drive significant modal shift.</p> <p>Rail freight capacity is constrained by tunnel height and bridge capacity.</p> <p>Substandard track condition limits speed and capacity of the rail service.</p> <p>Speed constraints in Queen Charlotte Sound add considerably to inter island ferry sailing times.</p> <p>Transport infrastructure is consistently ranked as being a significant impediment to doing business in New Zealand according to both World Economic Forum and IMD global competitiveness surveys.</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
	<p>Fuel Excise Duty and Road User Charges do not price according to time of day thereby enabling inefficient use of road network</p>	<p>encourage innovation.</p>			

Energy

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>Regulatory governance structures involve duplication of function between the Commerce Commission, the Electricity Commission and EECA</p> <p>The Electricity Commission has too many objectives and functions and is seen to be insufficiently independent from government.</p> <p>Uncertainties surrounding project approval processes undermine infrastructure sector confidence causing consequential underinvestment in training and productive capacity</p> <p>New Zealand has a large</p>	<p>The rate at which retail prices have risen, especially for residential consumers, appears excessive when compared to the increase in the cost of new supply</p> <p>Wider social, environmental and economic benefits of infrastructure investment not systematically captured in transmission and distribution investment decision making processes</p> <p>Ongoing uncertainty about climate change policy and carbon pricing is creating investment uncertainty</p> <p>Lack of sophistication in residential metering capability and pricing</p>	<p>Projects can take up to a decade to gain approval</p> <p>Existing water use rights are under threat</p> <p>Costs of social and environmental mitigation are significantly driving scope creep and affecting project viability</p> <p>Local Authorities are responsible to issue consents under the RMA but are requiring increasingly higher standards of mitigation in favour of their local communities. These processes are often inconsistent between local authority jurisdictions, time consuming, tend to favour local issues over national interests, and add</p>	<p>Regulatory focus has been on constraining price increases and on demand management rather than on investment for growth. This may be inhibiting investment in energy generation, transmission and distribution capability</p> <p>The “just in time” approach to core grid transmission upgrades causes uncertainty about the capacity of New Zealand’s transmission grid relative to demand.</p> <p>The asymmetric risk of loss of power supply (as compared with the risk of investing too early) and the consequential impact on business and investor confidence seems to be systematically</p>	<p>Excessive focus on initial capital outlay in investment decisions and lack of attention on whole of life costs of projects</p> <p>Need to recognise that competitive (least cost) pricing does not always yield best value for money and that competitive bidding costs will inevitably have to be recovered from the public sector client(s).</p> <p>Lack of understanding training and application of advanced procurement techniques such as Early Contractor Involvement, Alliance contracting and PPPs</p> <p>Failure to date to bring major PPP opportunities to</p>	<p>A series of dry year security of supply risks have had to have been carefully managed</p> <p>Volatile increases in spot prices on the electricity market are experienced during times of supply constraints</p> <p>Productive capacity in some of New Zealand’s major industries has been restricted during times of supply shortages</p> <p>Transmission congestion has limited generator capacity to supply electricity to market</p> <p>Consumers lack confidence that the electricity supply system is delivering secure supply at competitive prices</p> <p>Lack of confidence in security of electricity supply is consistently ranked as being a significant impediment to doing business in New Zealand according to both World Economic Forum and IMD global competitiveness surveys.</p> <p>Demand management initiatives have failed to constrain demand growth to the levels expected, notwithstanding the dual focus of both the Electricity</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>number of electricity lines businesses and further consolidation may be required to achieve efficiency gains and to give all lines businesses sufficient critical mass to undertake required investments.</p> <p>Past failure to plan ahead sufficiently has resulted in a skills shortage across the industry at a time of significant investment</p> <p>The impact of climate change on generation, transmission, and gas, petrochemical and electricity distribution infrastructure is generally still to be addressed.</p>	<p>plans</p> <p>Transmission pricing, that is, who pays for Transpower's costs including the cost of upgrades, is very contentious. The current pricing methodology applies a different approach to pricing the alternating current (AC) grid (in each island) from that applied to the high-voltage direct current (HVDC) link between the islands. This may distort investment decisions</p> <p>Electricity lines businesses face significant investment issues (a so called 'wall of wire' in terms of aging assets) and most have a very dispersed customer base to recover the costs of those investments</p>	<p>significantly to cost</p> <p>District and regional plans do not generally recognise energy supply as a regionally significant activity</p> <p>Local authorities when preparing plans and considering any consent application relating to energy supply, need to have regard to the social (including health) and economic benefits associated with availability and end use of supply</p> <p>Current generation Regional Policy Statements generally lack a proactive focus on nurturing social and economic prosperity.</p>	<p>undervalued in regulatory approval processes</p> <p>Regulatory processes for transmission upgrades involving Commerce Commission approval for pricing thresholds, Electricity Commission approval for transmission upgrades and RMA consents are complex, circuitous and often contradictory.</p> <p>Neither the Commerce Commission nor the Electricity Commission have any statutory requirement to consider RMA cost drivers in significant depth within their respective regulatory regimes</p> <p>There has been an historical focus on replacing transmission</p>	<p>the market</p> <p>SOE domination in service provision is crowding out potential for private sector innovation in competitive delivery of services.</p>	<p>Commission and EECA.</p> <p>Approvals for major transmission investments like the North Island Grid Upgrade have taken 5 years. The backlog of investment now required will place significant strain on industry capacity to deliver the skilled work force needed to deliver the projects at reasonable cost.</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
			<p>capacity increases with distributed generation resulting in a “chicken and egg” investment regime whereby investments in transmission capacity may not occur or conversely, generation investment may be constrained by lack of transmission capacity</p>		

Water

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>Fragmented responsibilities and accountabilities relating to leadership and governance that exist within the industry compared to overseas practice result in lack of integration and duplication of effort</p> <p>Central Government oversight of the water sector spans the Ministries for the Environment, Health, Local Government, Economic Development and Agriculture but no one agency has a lead role</p> <p>Limited coordination of works programmes across jurisdictional boundaries</p> <p>Uncertainties surrounding project approval and</p>	<p>Small and often inadequate funding bases, particularly in more remote areas;</p> <p>Lack of market mechanisms and pricing signals such as user pays charging to support the longer-term sustainable management of water services</p> <p>The first-in-first-served allocation of limited water resources as currently provided under the Resource Management Act and the absence of a market based allocation model allows continued uneconomic use of scarce water resources</p> <p>Rural end-users of water, such as farmers, have</p>	<p>Projects can take up to a decade to gain approval</p> <p>Existing water use rights are under threat</p> <p>Opportunities to harvest water for irrigation purposes are constrained by consenting processes, funding and risk management</p> <p>Costs of social and environmental mitigation are significantly driving scope creep and affecting project viability</p> <p>The first-in-first-served allocation of limited water resources as currently provided under the Resource Management Act and the absence of a market based allocation</p>	<p>Lack of an overarching standards framework across the industry</p> <p>Lack of national standards in areas such as wastewater discharges, which are the responsibility of Regional Councils and the enforcement of discharge standards that do exist is variable.</p> <p>Up to one third of suppliers have no active demand management and a water loss reduction programme in place</p> <p>There is a need to establish an overarching controlling/regulatory body across the industry appropriately empowered</p>	<p>Excessive focus on initial capital outlay in investment decisions and lack of attention on whole of life costs of projects</p> <p>There are inefficiencies in project procurement with large numbers of small projects</p> <p>Need to recognise that competitive (least cost) pricing does not always yield best value for money and that competitive bidding costs will inevitably have to be recovered from the public sector client(s).</p> <p>Lack of understanding training and application of advanced procurement techniques such as Early Contractor Involvement,</p>	<p>The NZCID commissioned Industry Scored a "C" grading meaning it is only adequate and that major change is required.</p> <p>The overall state of the industry received a scorecard rating of "C", including a "C+" for water supply, a "C" for wastewater and a "C-" for stormwater . Under the grading criteria, this generally means that the infrastructure is considered "adequate" but major changes are required in one or more of the infrastructure condition, committed investment, regulatory regime and planning processes to enable infrastructure to be fit for its anticipated purpose.</p> <p>The Ministry of Health has assessed the microbiological and chemical quality of drinking water in New Zealand using the Drinking Water Standards for New Zealand: 2000 (DWSNZ:2000). The last of these reviews was completed for 2005. The key findings of this review were that 71% - 76% of the population were served water complying with the DWSNZ 2000, 13% - 17% were supplied with water not compliant with the DWSNZ 2000, while 11% were not supplied by a registered reticulated</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>funding undermine infrastructure sector confidence causing consequential underinvestment in training and productive capacity and reduced ability to attract and retain high quality management and technical resources in-house</p> <p>The impact of climate change on Three Waters infrastructure is generally still to be addressed.</p>	<p>difficulty raising equity or debt for rural water infrastructure projects and can be cautious about involving outside investors. Many potential irrigators already have sunk costs in on farm individual water takes, e.g. groundwater wells, and many are at a stage of life personally or financially that does not support investment</p>	<p>model allows continued uneconomic use of scarce water resources</p>	<p>to:</p> <ul style="list-style-type: none"> Lead the development of industry benchmarks and standards; Develop and promote industry best practice; Develop commercial drivers to support the sustainable management and delivery and lift overall financial sustainability; Drive the application of improved procurement practices; and Oversee and promote training and professional development across the industry 	<p>Alliance contracting and PPPs</p> <p>Local Authority control of service provision is crowding out potential for private sector innovation in competitive delivery of services.</p> <p>The ability to introduce innovative funding mechanisms is constrained by Section 136 of the Local Government Act which specifically restricts water contracts to a maximum of 15 years. This period is too short to encourage appropriate private sector involvement in assets that have very long lives.</p>	<p>drinking water supply.</p> <p>Suppliers estimate that nearly 20% of water produced is lost through water losses</p> <p>There are high levels of wastewater infiltration and inflows into storm water systems</p> <p>Significant proportions of water discharges do not comply with regional council standards</p> <p>There are increasing incidents of flooding</p> <p>Planned maintenance of storm water systems is only 50% of actual maintenance</p> <p>The economic capacity of NZ agricultural land is not being fully capitalised</p> <p>The lack of pricing to manage water supply demand means that unnecessary investment in water treatment infrastructure is being expended by local authorities.</p>

Telecommunications

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>Government leadership is essential to facilitate and encourage investment in broadband as a general purpose technology for the future</p> <p>There is need for greater certainty and predictability in the regulatory environment to encourage private sector investment</p>	<p>Higher prices (top quartile) than in other OECD countries paid for services in general and mobile services in particular, although this has changed significantly in recent times</p> <p>Deployment of fibre to the home across all of New Zealand is not commercially viable and requires government subsidy</p>	<p>Local authority support will be essential to facilitate roll out of FTTP and FTTH by means of access to utility corridors and application of streamlined consenting processes</p>	<p>Previous free market regulation was ineffective at delivery competitive prices and driving long term investment in infrastructure</p> <p>Traditional levels of investment have lagged comparative countries within the OECD</p> <p>Regulatory change has been necessary to drive prices down and encourage new investment</p> <p>Unbundling the local loop and operational separation of Telecom has proven to be insufficient on its own to achieve the step change in investment required</p>	<p>Need to recognise that competitive (least cost) pricing does not always yield best value for money and that competitive bidding costs will inevitably have to be recovered from the public sector client(s).</p> <p>Lack of understanding training and application of advanced procurement techniques such as Early Contractor Involvement, Alliance contracting and PPPs</p> <p>Existing models of good procurement exist, such as the government's own "One Government" IT platform and these should be leveraged for best value.</p>	<p>The September 2009 Commerce Commission broadband quality report shows a steady improvement in performance – in the five major cities for premium broadband service packages</p> <p>Lack of investment in broadband infrastructure in smaller centres, is affecting the quality of performance.</p> <p>Performance issues with some long haul networks, as well as regional backhaul networks, and constraints in regional backhaul capacity</p> <p>Significant investment is required in all networks to ensure that capability matches those being built by OECD leaders.</p> <p>There is a need for competitive facilities-based competition between owners of international network infrastructure. Currently there is only one effective international cable network with one local player (Telecom New Zealand) as controlling shareholder.</p>

Social Infrastructure

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
<p>Devolution of responsibility for asset management to school board of trustees and district health boards make asset management difficult to coordinate</p> <p>Fragmented responsibilities and accountabilities relating to leadership and governance that exist within the education and health sectors result in lack of integration and duplication of effort</p> <p>History of project cost blow-outs through ineffective project governance</p>	<p>The sector suffers from small and often inadequate funding bases, particularly in more remote areas</p>	<p>Major challenges in gaining consents for prisons</p>	<p>Not identified as a specific problem area</p>	<p>Excessive focus on initial capital outlay in investment decisions and lack of attention on whole of life costs of projects</p> <p>History of project cost blow-outs through ineffective project governance</p> <p>There are inefficiencies in project procurement with large numbers of small projects</p> <p>Need to recognise that competitive (least cost) pricing does not always yield best value for money and that competitive bidding costs will inevitably have to be recovered from the public sector client(s).</p>	<p>The net result of history, projected service changes, and the limitations of current planning processes is that current asset plans have significant shortcomings</p>

Governance	Funding / Pricing	Consents	Regulatory Processes	Procurement Sophistication	Service Outcomes
				<p>Lack of understanding training and application of advanced procurement techniques such as Early Contractor Involvement, Alliance contracting and PPPs</p> <p>Public sector control of service provision is crowding out potential for private sector innovation in competitive delivery of services.</p>	