



## **SUBMISSION**

By the

**EMPLOYERS AND  
MANUFACTURERS' ASSOCIATION  
(N) INC.**

**To the National Infrastructure Unit of the  
Treasury  
On the discussion document-  
“Infrastructure: Facts and Issues”**

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## **1. INTRODUCTION**

EMA (N) welcomes the opportunity to comment on the discussion paper entitled 'Infrastructure: Facts and Issues' dated 6 September 2009 ('the discussion paper').

EMA (N) is an organisation with 118 years of representation experience in the Auckland Region, having been formed in 1996 following a merger of the Auckland Employers Association and the Auckland Manufacturers Association. Both organisations were established over 100 years ago.

EMA (N) represents approximately 8400 member businesses from the Far North to Bay of Plenty, employing some 300,000 staff. EMA is the largest member of Business New Zealand which was formed from the New Zealand Employers Federation and New Zealand Manufacturers Federation during May 2001. Business NZ represents 76,000 businesses throughout New Zealand.

## **2. The National Infrastructure Plan**

- 2.1 EMA (N) congratulates government on the discussion document, a first step towards a much needed and long overdue National Infrastructure plan. The discussion document is a good summary and broad overview of the state of Infrastructure in NZ.
- 2.2 For too long now NZ has been suffering from an Infrastructure deficit. When public expenditures were restrained during the reforms of the mid-1980s to the early 1990s, infrastructure investments were particularly affected because delayed impacts made them attractive targets for cuts. Deferred maintenance has since accumulated, and infrastructure bottlenecks are now widely acknowledged, particularly in electricity transmission and the Auckland roading network. In recognition of this, public spending on infrastructure has risen significantly in recent years, but it will take some years before the impact is visible.
- 2.3 One of the worrying impacts of the infrastructure deficit has been its effect on business productivity. Traffic congestion in Auckland has reduced the ability of all types of businesses from SME's to large corporates to move goods and services around the Auckland Metropolitan area and region. Uncertainty around future electricity pricing and security of supply has affected the confidence of businesses to make future investment decisions. All of this has resulted in additional costs to businesses and reduced productivity. As it is the government's strategy to maximise productivity in order to achieve higher economic growth and higher living standards, clearly improved infrastructure is a key element in this process.
- 2.4 While we strongly support the Infrastructure Plan process we would like to point out that Infrastructure planning should desirably be developed and implemented against an overall National Economic and Social plan. Population growth and demographics profoundly affect the need for certain

types of Infrastructure, particularly in the areas of Health and Education. The Discussion Document acknowledges this and presents evidence as to likely future trends in population. However this is very much a passive approach and we think that it would be better if longer term there was a well thought out and agreed National social and economic plan that not only set goals in these areas but also recommended policy for the achievement of those goals. That type of plan would then provide a relevant context for documents such as the National Infrastructure Plan.

- 2.5 While we support strongly the creation of a National Infrastructure Plan, we also see value in the development of Regional Infrastructure Plans that sit underneath and feed into the National plan. We know for instance that there is about \$25 Billion of Regional Infrastructure spend needed over the next 20 years in the Auckland region. Some of this will be captured in the National plan, but as much of this will be the prerogative of Local Government, both as to its planning and funding, it makes a lot of sense to have a regional plan that is reviewed, say 3 yearly, at the same time as the LTCCP and that feeds into the National plan. In that regard it would also make sense for the National Plan to be reviewed every 3 years following the conclusion of the Regional Infrastructure plans.
- 2.6 We also think that consideration needs to be given to the status of the National Infrastructure Plan and its proposed role in influencing decision making both in Central and Local Government. Is it to be just a statement of intent, with no real teeth as far as regulation and compliance, or is it to have a positive guidance role, including some measures to encourage compliance? This is an important issue and really needs to be discussed and sorted at an early stage. Otherwise the plan could just be a statement of good intentions and nothing more.
- 2.7 We also recommend that the National Infrastructure Plan specify a funding plan for the Infrastructure projects that end up in the final plan. Without a realistic indicative funding plan the National Infrastructure Plan becomes just a wish list of things that would be nice to have. A funding plan forces the discipline of prioritising the projects according to cost/benefit and introduces a note of reality to the plan. This is where the previously mentioned National Economic and Social plan would have value by giving some relevant additional criteria against which to assess and evaluate each project. Thus projects that were in line with the National Economic and Social Plan goals would be favoured over other projects that were not.
- 2.8 Notwithstanding what we have said in 2.7 above we acknowledge that not all Infrastructure spend is within the control of the public sector. Significant Infrastructure (Electricity, Telecommunications) is carried out by the private sector and investment decisions are taken purely on market based considerations. That being the case it is incumbent on government to continue to adjust policy settings around those markets so that efficient and effective investment decisions continue to be made and that the type of infrastructure that the National Infrastructure Plan envisions for those sectors does get built.

**3. Support for other submissions**

- 3.1. EMA (N) has contributed to and fully supports the submission to the Discussion Document made by Business New Zealand.
- 3.2. EMA (N) fully supports the submission to the Discussion Document made by The New Zealand Council for Infrastructure Development.

**We do not wish to be heard in support of our submission**