



ACT's solutions for

**building New Zealand
and conserving nature**



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Contents

Message from Simon Court MP	3
Introduction	4
Why Now?	4
ACT's Approach	5
General Framework	5
Environmental Protection	6
Protecting Biodiversity	6
Freshwater Management	6
Storage, Irrigation, and Transfer	7
Discharges to Land	7
Codes of practice	8
Urban Development	9
Transport and Infrastructure	11
User-Pays Pricing	11
Central Government Infrastructure	12
Local Government Infrastructure	13
Conclusion	15

Message from Simon Court MP

The Resource Management Act (RMA) is the single largest handbrake on New Zealanders' living standards. It makes warm, dry, affordable housing harder to build, leading to a range of social problems. It makes efficient transport infrastructure difficult to build, leading to less intensive competition, higher prices, and lower standards of living. It makes developing competitive industrial facilities more difficult than it needs to be, leading to fewer high paying jobs. For all this, successive Governments have failed even to accurately measure environmental performance, the intended benefit of the RMA.

This Paper sets out a fresh, back-to-first-principles approach to resource management. The challenges of managing peoples' impacts on each other's property, and the common resources such as the air, rivers, oceans and forests are real. They do require smart regulatory arrangements, which is what this paper sets out.

Specifically:

- ACT proposes a shift in principle on Resource Management. At present the underlying principle is the 1980s paradigm of 'sustainable development.' This has never been defined in a way that is practical to implement. It requires current generations provide for their needs without depriving future generations, but every generation impacts on every other. Instead, the principle of resource management should be to preserve the enjoyment of property, with common property accounted for by representative groups such as the local regional councils.
- Shifting the principle of resource management to the enjoyment of property shifts the presumption about how property is used. At present the presumption is that people can do what Councils permit. On a property rights basis, they can do anything that does not harm others' enjoyment of property. It dramatically reduces the range of people who have an interest in someone else's use of their own property.
- Environmental protection will come under a new Environmental Protection Act (EPA). This Act will allow people to do what they like on their land unless specifically prohibited under the Act. Discharges to common property will be forbidden unless specifically allowed under the Act. Such discharges will be managed under one of two regimes; freshwater, or other discharges, noting the special importance of freshwater.
- The freshwater regime will involve local councils deciding on acceptable environmental limits in consultation with their community. This decision making should be based on clearly demarcated, scientifically measurable parameters.
- Within these measures, property owners will be able to trade their permits. This approach is a far more localised and flexible way of achieving cleaner freshwater than the current command and control approach.
- Non-freshwater pollution will be managed by two regimes, one for high risk activities, and another for leakage. A regime of clean-up bonds being required for high risk activities, so that the taxpayer is not left carrying the can for clean up costs. Leakage, such as ground water pollution, will be managed using processes based on the tort of nuisance.
- Urban development would be managed under a separate Urban Development Act (UDA). The UDA would set out three processes for streets or neighbourhoods to negotiate up their zoning either by consensus, bilaterally, or unilaterally. This introduces more control for property owners, while allowing cities to organically intensify.
- Infrastructure development, while not strictly part of resource management law, is inextricably linked with it. For far too long, infrastructure development and land use planning have been poorly coordinated. ACT's reforms would fix this miscoordination. This paper details initiatives around revenue sharing, 30-year partnerships between local and central government, and a wider range of tools for funding and financing infrastructure.



Simon Court,
ACT spokesperson for Infrastructure and Environment

Introduction

Second to people, New Zealand's most precious resources are land and the natural environment. Often the most important issues in New Zealand politics are the regulations of land and resources. Unfortunately, New Zealand's regulatory infrastructure is even less fit-for-purpose than our actual infrastructure.

Our approaches to regulating land and water use, funding infrastructure growth, and conserving native flora and fauna are outdated and ineffective. They are not only ACT's solutions for building New Zealand and conserving nature 3 failing to protect the environment, but they are also extremely costly to the economy. This is a worst of all worlds situation.

Labour's approach has been to double-down on the mistakes of the past. Their reforms of the RMA are based on the same principles, even using the same architect, as the original RMA.

ACT's solution for New Zealand's building New Zealand and conserving nature is one where New Zealanders are free to make the best possible use of their property and our shared environment to live their best lives. This policy paper lays out our alternatives to the Government's Natural and Built Environment Bill and all of the accompanying legislation. We have also included our proposals for the related policy areas of infrastructure and transport.



Why Now?

New Zealand's resource management laws have become unmanageable, with rules piled on rules, all of which hold back progress and many of which have unforeseen environmental consequences. The root cause is the RMA's lack of philosophical coherence.

It cannot decide whether privately owned land, and the right to decide what to do with it, belongs to landholders, local governments, iwi, central government, neighbours, or the Environment Court. The same confusion also exists for shared resources, like lakes and rivers. As a result, it is difficult to make decisions about how to use and develop resources, leaving us all poorer.

Government and Council officials have exploited the RMA's ambiguity with an everexpanding set of policies, processes, agencies, board of inquiry, and other vehicles of central planning.

This official-led effort has expanded the length of the RMA by 46% in the past 14 years. Yet, it has failed to produce any measurable improvement in the sustainable or efficient use of New Zealand's natural resources. House-building rates have failed to keep up with population growth. Infrastructure projects, private or public, are held back by interminable review processes and financing issues. New Zealand's waterways continue to be polluted, with no pathway for improvement.

ACT's Approach

General Framework

Our replacement for resource management laws would start from five general premises:

- Land and the right to peaceably enjoy it belongs to its owner. ACT believes in the fundamental right for people to control and use their land as they wish, as long as it doesn't infringe on others' property rights or harm common property (such as rivers). This reflects both Article 2 of Te Tiriti which guarantees tino rangatiratanga to all New Zealanders, and the common law presumption that owners should be able to do what they wish with their land, unless explicitly constrained.
- Common resources (e.g. lakes, rivers, and fresh air) belong to all, and are managed by democratically-elected local governments. ACT believes in the principle of subsidiarity, in which the communities of the people most directly affected should be the ones in charge of those decisions.
- Property owners' legitimate expectations, established through years of law and practice, should be respected. This includes customary rights.
- Private negotiations and markets are usually a better way to resolve conflicts between property owners and between economic development and environmental protection than rulings from unaccountable officials. If disputes do go to Court, for claimants to have standing they must show that

the action will directly affect them or their property economically and/or physically or impede their substantive right.

- Regulations should be a last resort and only to solve real problems that cannot be solved by private negotiations or markets.

Being incoherent on these matters means the RMA has passed its use-by date. **ACT would replace it with a new Environmental Protection Act and an Urban Development Act.** Dividing into two Acts will clarify the twin goals of resource management: Protecting the natural environment and managing the built environment. These are different issues and require different legislative frameworks.

Under both Acts, councils would continue to play a leading role. **Certain structural changes will be made to incentivise them to quickly and sensibly deal with consents such as sharing half the GST on all new builds with local councils. This means Councils will be rewarded for consenting more and faster.**

The Environmental Protection Agency's fast-track and proposals of national significance procedures for resource consenting would be opened to all projects, rather than just those favoured by bureaucrats and Ministers. This would allow ACT's solutions for building New Zealand and conserving nature 5 property-owners to escape from needless bureaucracy at the council level and open councils' consenting operations up to competition.



Environmental Protection

ACT's Environmental Protection Act will start with two presumptions:

Firstly, development on someone's own land will be permitted unless a specific provision in either the EPA or the UDA disallows it. Secondly, use of common resources or discharges into these resources (e.g. lakes or rivers which flow into other properties) will be disallowed unless it is a customary right or a use right is granted under the Act.

The Act will then divide its focus between freshwater management and other discharges into the environment. These two issues differ dramatically in their scope and need to be considered separately.

Councils will be the primary decision-makers on these issues. This recognises the primarily local implications of environmental policy. It also recognises the different environmental and economic conditions faced across New Zealand, which might make certain trade-offs more appropriate in some areas than in others. Councils will also be required to recognise existing customary rights.

Nonetheless, central government's Environmental Protection Agency will retain an ability to issue consents and use-rights under the Act. This will ensure that councils face some competition in the use of their environmental powers, in particular where projects cross regional boundaries.

Protecting Biodiversity

It is important that New Zealand preserves the remnants of wetlands and areas of significant indigenous bush as a matter of public good. ACT is opposed to the bureaucratic approach of the current Government which effectively seeks to confiscate private land without compensation for public good. The Significant Natural Areas and wetlands proposals by Government are taking private property without any compensation. However, across New Zealand there are already models that are working effectively, usually as partnerships between local government, farmers and tangata whenua, such as the QEII Trust or the Kaipara Moana Remediation Programme. ACT will build on this.

ACT will establish a fund available for local government to allow local government to enter into covenants with landowners to ensure critical wetlands

and areas of ACT's solutions for building New Zealand and conserving nature 6 indigenous bush are protected. Ownership of the land can remain with the landowner, who is also responsible for stock exclusion and pest management, but with financial support from the fund.

Freshwater Management

Everyone agrees that many freshwater resources in New Zealand are being exploited beyond their ability to cope and regenerate.

The current Government's freshwater proposals aim to solve this problem by centralised planning.

Farmers, and other land users, rely on their rights (whether implied by land ownership or express through resource consents) to draw from and discharge into freshwater sources to make a living from their land. Restrictions on these rights (e.g. through the National Policy Statement Freshwater) after the fact in order to return waterways to a higher environmental standard impose a significant loss on many landowners.

Special rights based on vague spiritual criteria given to iwi and hapu to influence and control water (Te Mana o Te Wai) trump the rights of other members of the community. This can be particularly harmful for farmers who have taken out large loans to fund farm development with the legitimate expectation that their rights to use freshwater resources will continue.

ACT believes that farmers and other water users should be free to use water how they see fit, so long as they remain within specified environmental limits. This should include making it easier for farmers to build water storage and irrigation.

Democratically accountable local communities, regional councils, not central government, should be responsible for setting environmental limits for water quality, quantity, and discharges. These environmental limits will be based on a scientific assessment of the impact on the waterway.

Rather than setting allocation rules which are illogical and simply add cost to the productive sector and business, ACT would introduce a market-based system which allows impacts of nutrient and other

discharges on freshwater and groundwater to be traded within environmental limits.

These trading systems would operate through smart markets as described by University of Canterbury researchers Milke and Raffensperger. A smart market can reduce the transaction costs of trading impacts while improving the environmental outcomes. International evidence shows that trading impacts within environmental limits is the most effective and efficient long term management strategy to improve the environment.

Storage, Irrigation, and Transfer

Climate change is likely to result in increasing heavier rainfall and risk of flooding, and dry periods and droughts. Ensuring that farmers can meet the challenge of climate change through incentivising water storage and irrigation is a critical part of climate adaptation.

Coupled with a sensible pricing system for water drawing, private water storage can make a very important contribution to water security for an entire catchment by smoothing out water demand over time and reducing flood risks. It is an important way for communities to adapt to climate change. Therefore, it



is nonsensical that councils place regulatory barriers in the way of farmers and others who wish to build water storage.

ACT would make building water storage a permitted activity under an Environmental Protection Act for excess overland and rain water i.e. above pre-climate change seasonal averages. That means specific council permission would not be required to build such facilities.

Similarly, once a pricing system is created for water allocation, there is no reason for councils to become involved in how that water is used. Therefore, drawing from common water resources to fill a storage facility would not require additional permission beyond holding a permit for the amount of water drawn.

The same is true for irrigation and transferring water between neighbours which would not require council permission.

Discharges to Land

Land pollution is primarily a private matter.

The cost of land pollution is usually borne by the landowner who will have to accept a lower purchase price in the future, or face the cost of cleaning it up before it can be sold.

There are occasions where government intervention may be needed. For instance, where land pollution threatens to impede a neighbour's use of their property, there is a legitimate place for some kind of compensation. There is also a legitimate case for making sure that polluted land cannot be abandoned by its owner and never restored.

Most of these problems are best dealt with through the tried-and-tested common law. For most purposes, the Environmental Protection Act will rely on the tort of nuisance, allowing neighbours to sue their neighbours where their peaceable enjoyment of the land is put in jeopardy by their neighbours' actions, for land pollution-related claims. The EPA will clarify that polluting shared groundwater or seeping waste into adjacent land are nuisances for which the Court can provide a remedy. The EPA will also create a new ability for the Court to issue injunctions to prevent expected land pollution which would create a nuisance, such as highly odorous waste.

Where an activity is particularly high-risk (e.g. mining or landfill), property owners will be required to make contributions to a trust account for use in restoring the property after the conclusion of the activity. This



trust account will be attached to the land itself and will transfer to any subsequent property owners. Any returns on the trust account in excess of inflation will return to the property owner.

Spending from the account will have to be authorised by council or Environmental Protection Agency in line with an agreed long term site management plan. Any funds remaining in this trust account after Council have signed off on the land's restoration will be returned to the current property owner. Councils will be required to sign off land based on objective standards for land quality which the landowner was informed of when they began the project, set out in a site management plan.

Codes of practice

According to the Infrastructure Commission, “New Zealand infrastructure developers collectively spend \$1.29 billion each year getting their projects consented, in council fees, expert and legal costs, and internal staffing costs. Although costs vary depending on the project and the sector, a typical New Zealand infrastructure project requires a firm to spend, on average, 5.5% of their total project budget seeking a resource consent.”

“Project design has become a consenting issue, with many firms often not choosing the optimal design for their project but choosing designs that will provide a ‘path of least resistance’ through the consenting process. Consenting costs are 10 times higher for projects that require a public hearing.”

Infrastructure is central to many of the Government's environment and climate objectives and is the key to unlock economic benefits from land development, transportation and renewable energy. ACT would change the focus under an EPA to **how to deliver** infrastructure, not **whether a project should be able to obtain consents**.

Under ACT's EPA, consent would be needed for only the most complex and high-risk activities in the environment. Instead of spending months or even years in court debating consent conditions for common activities, infrastructure projects could rely on nationwide codes and rules for environmental management similar to the Building Code.

For example, there are design manuals and standards for building wetlands, sediment and erosion control, and how to work in water courses. There is even a template for a Bat Management Plan which could be copied and pasted any time large trees need to be removed as part of land development activity.

Similarly, the placement of standard farming structures (e.g. milking sheds) on already-cleared pastoral land will be exempted. Managing the effects of these developments will rely on Codes of Practice rather than seeking consents for well understood activities.

This would go a long way to save time and the enormous cost incurred by infrastructure developers and allow New Zealand to build our way to economic prosperity.

Urban Development

Under ACT's Urban Development Act, limits for **urban development would continue to be based on locally-decided plans**. These plans have democratic mandates and protect the legitimate expectations of property owners, while allowing councils to plan for infrastructure delivery.

ACT's changes to local government financing and building laws will ensure that councils have an incentive to **allow development in these plans**. Our proposals to increase the role of special-purpose vehicles and private equity in infrastructure development would ensure that councils could rest assured that their balance sheets will not be unduly burdened by expansion. Further, our plan to share 50% of the GST received from new dwelling construction with local governments, will give them the fiscal room to deal with new residents. Finally, our plan (www.act.org.nz/policies/housing) to replace councils' joint-and-several liability for building faults with comprehensive building insurance will protect them from the risks of allowing innovative construction techniques.

Councils' planning rules would also be subject to limits to ensure that vibrant communities could emerge. Councils will not be permitted to restrict housing density more than the Auckland Mixed Housing Suburban zone. These zoning rules have already been validated through extensive litigation in the Environmental Court and strike a fair default balance

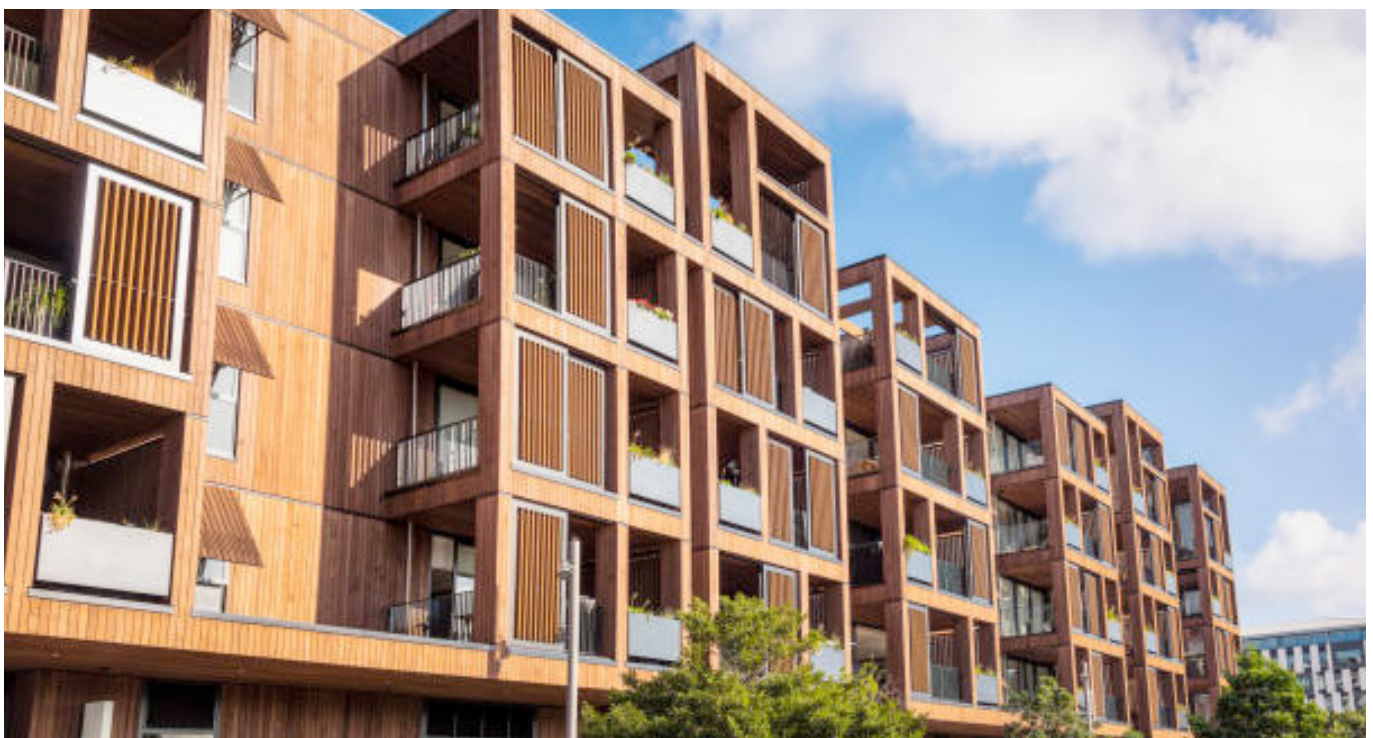
between neighbours' and property owners' rights. Councils will not be permitted to unduly restrict the types of activity which can occur in parts of the city.

Small-scale commercial activities (e.g. cafes, corner stores, and childcare centres) will be permitted by default in all zoning areas. This will ensure that council rules do not prevent the growth of vibrant mixed-use communities across our cities.

Council plans would not be set in stone. There would be three pathways to increasing the development potential of a property beyond the plan:

The *multilateral pathway* will allow the property owners along an entire street or block to change the zoning rules which apply to them all through a street vote. This would require approval from owners representing 70% of the titles along the street. This would allow the entire street to profit from the increase in their property values due to upzoning, compensating them for any inconveniences due to increased density.

The *bilateral pathway* will allow a property owner to negotiate with the affected neighbours to exempt the property from certain zoning rules designed to protect those neighbours. The neighbours from whom the owner will require consent will be strictly limited to those directly affected. For instance, if an owner wishes to build their house closer to their eastern



boundary than zoning permits, they will only require permission from their eastern neighbour. Similarly, if they wish to build an extra storey on their house than is permitted, they will require permission only from their direct neighbours whose view is obstructed or who lose more than 25% of their usable sunlit area due to the development.

These permissions will be placed on the LIM once given and unless explicitly time limited, will remain with the property. It will be explicitly permitted for property owners to offer their neighbour compensation in order to receive permission.

The *unilateral pathway* will allow property owners to ask a Planning Tribunal, which will be the planning equivalent of the Disputes Tribunal (i.e. a low-cost, lawyer-less alternative to the Courts) to exempt them from certain planning restrictions, in exchange for Tribunal-determined compensation to be paid to their neighbours. This pathway will only be available where an attempt to use the bilateral pathway has failed. This pathway is necessary to avoid the problem of 'hold-outs', where, because unanimous consent is required in the bilateral pathway, one affected neighbour uses their power to doom the entire project in an attempt to extract an uneconomic sum of compensation.

These pathways for liberalisation ensure that council plans do not prevent intensification when the benefits exceed the costs. This will allow New Zealand's cities to develop more naturally, in accordance with the

changing preferences of the entire population, rather than the particular preferences of one council planner some years ago. Further, they ensure that fellow property owners are compensated for unexpected costs imposed on them by intensification.

Councils will be expected to accommodate reasonable infrastructure demands due to unplanned intensification. In particular, they would be encouraged to implement street parking permits and grant those permits to existing residents for free for a reasonable period of time (e.g. 10 years). This would reduce the costs of intensification on existing residents. Councils would also be entitled to require property owners who have received above-plan permission to cover the reasonable costs of expanding the infrastructure. Where they anticipate large amounts of unplanned development in an area (e.g. because of a use of the multilateral pathway), councils will also be permitted to request the community's consent to impose a targeted rate to pay for the infrastructure.

ACT will reform the development contributions system. In particular, we propose a mechanism where the first developer in a new area is able to recoup some of their development contributions from future developers who make use of the improvements that the first developer's contributions paid for. This will remove a significant hurdle to green and brown-field intensification outside of existing infrastructure networks.



Transport and Infrastructure



Our national infrastructure is falling behind. The last expansion of road capacity across the Auckland Harbour took place in 1969, only 10-years after the Bridge was first built. In 2017, the average water pipeline in New Zealand was more than 30-years old. That's a story repeated across the country. Unsurprisingly, our infrastructure is straining under the weight of population growth and improvements in living standards.

Congestion costs the New Zealand economy hundreds of millions of dollars a year. Plumbers who used to be able to do four jobs in a day can now only do three because they're stuck on the Auckland Southern Motorway. Freight which used to take six hours to get from Lyttelton Port to Queenstown might now take seven. Across five million New Zealanders, these costs add up.

Similarly, our failure to deliver infrastructure is holding back housing growth. Councils routinely cite the inability of water, roading, or public transport infrastructure to cope as a reason to decline resource consents.

User-Pays Pricing

The fairest way to fund infrastructure is by charging those who use it. Such user charges also allow limited infrastructural capacity to be allocated to their most valuable uses. They also provide a valuable signal (and incentive) to the government and to private

investors of where new capacity ought to be built. ACT proposes that user pricing be introduced into as much infrastructure as possible. In return, fuel taxes and the existing system of road-user charges will be abolished, as will taxpayer funding for the operating expenses of the rail network.

ACT would replace fuel taxes with road pricing.

How much road tax drivers paid would vary based on how far, where, and when they drove. Prices would increase during traffic jams to discourage drivers from joining and decrease during free flow to encourage drivers to leave early. This would allow transport operators to plan transport demand down to the minute and provide invaluable signals of where new roads and public transport services are needed. Prices would be set by road owners.

Revenues would also go to them, replacing the existing National Land Transport Fund system.

Road pricing is much fairer than fuel taxes. The fuel tax punishes those who cannot afford more expensive fuel-efficient cars and subsidises those who unnecessarily drive at peak hours. With road pricing, how much drivers pay better reflects the costs they impose on others (e.g. very little during non-peak hours, quite a lot during peak hours.)

Road pricing cuts traffic. In 1975, when Singapore introduced its first basic road pricing system, it had only a rudimentary bus network. Plans for its

world-renowned heavy-rail metro were not yet even approved. Still, in the immediate aftermath, traffic entering the regulated zone fell by 44%. Similarly, when London introduced its congestion charge in 2003, minutes wasted by congestion in the regulated zone fell an average of 30% within two years.

Road pricing would be introduced over time.

Eventually, ACT aims to use satellite-based pricing, like that currently being adopted by Singapore, across the entire country. As such, all cars newly imported to New Zealand would be required to be fitted with telemetry equipment (either built-in or with an additional unit provided by a firm like E-Road) to integrate into such a system. Free telemetry units would gradually be rolled out to older vehicles remaining in the fleet after a five-year transition period.

During the transition period, fuel taxes would continue to be levied, the telemetry units would also track fuel usage and users would receive credits for fuel tax already paid to offset road pricing costs. If their road pricing bill was lower than the fuel tax they had paid at the pump, as it would be for many off-peak drivers, drivers would receive a refund from the Government. If a driver's road pricing liability was higher than the fuel tax already paid, they would be billed. During the transition period, those vehicles without telemetry units, would be charged during peak times using automatic number-plate detection. Naturally, we would adopt stringent baked-in privacy protections for the use of this data.

For roads where the road provider wished to vary the price based on the time of day or traffic levels, they would set prices on a half-hourly basis and publish a national price-list, which could be used by applications like Google Maps to give drivers an indication of the price of their trip in advance.

Central Government Infrastructure

New Zealand spends its infrastructure budget poorly. Undisciplined by debt caps or a need to provide a real return on capital, infrastructure delivered by central government is determined primarily by political convenience, rather than practical necessity. Labour's light rail to Auckland and Wellington Airports and (thankfully cancelled) walking and cycling bridge across the Auckland Harbour are perfect examples. Even where a project is worthwhile, it often costs millions more and takes years longer to deliver in New Zealand than it would

in a country like Japan or Spain. Structural reform is clearly necessary to return discipline and efficiency to infrastructure delivery in New Zealand.

ACT would start by establishing a new independent state-owned enterprise, Highways New Zealand, which would own and operate New Zealand's state highway network. It would also construct any new state highways and conduct maintenance and improvements on existing highways. Highways New Zealand would be expected to be operationally self-funding out of user fees, including delivering a return on invested capital to the Government. It would be incentivised to deliver projects promptly and affordably, because delays and cost-overruns would harm underlying profitability and, executive compensation.

ACT would also reform the management of the rail network. Our expansion of the mixed-ownership model to KiwiRail would ensure that it was subject to proper commercial discipline, without running the risks posed by full privatisation. Naturally, KiwiRail would also be expected to provide a return on invested capital to the Crown and its minority shareholders. As part of this change, KiwiRail would be required to allow non-KiwiRail users to access the rail network on reasonable commercial terms, regulated by the Commerce Commission. KiwiRail would no longer enjoy a statutory monopoly over use of the rail network for freight purposes. KiwiRail would be required to compete on a level playing field with any private firms who were granted permission to use the tracks. This would allow large rail users and other transport operators the option of running their own freight rail operations if they believed they could do so more efficiently than KiwiRail.

Both Crown infrastructure companies (Highways New Zealand and KiwiRail) would be permitted to independently issue debt to fund new projects. These bonds would explicitly not be guaranteed by the Crown. Instead, they would be secured on underlying revenues from the projects funded by the issuance.

This commercial model would also allow for both Crown infrastructure companies to explore innovative financing structures. For instance, rail companies in Hong Kong and Japan fund significant portions of their capital costs by developing the land around and above their train stations. This not only creates a new funding source for infrastructure, it also generates new housing and retail space. A similar model funded the original development of much of

the London Underground. Now that these firms are independent of many of the political and economic constraints imposed by direct Government control, they will be able to use similar methods.

Central government would continue to have a regulatory role. Infrastructure providers, a reformed KiwiRail, Highways New Zealand, and local government-led consortia, would likely have significant market power. As such, they would be regulated by the Commerce Commission in the same way as other providers of network infrastructure (e.g. Chorus and Transpower) are. Similarly, a per-vehicle kilometre levy would be added to road prices to pay for road policing and ACC, while road owners (Highways New Zealand and councils) would be subject to a fine from a re-established Land Transport Safety Authority for any loss of life or serious injury on their roads, in order to encourage them to take safety seriously. With most of their functions now absorbed into either the Infrastructure Commission, the Land Transport Safety Authority, or Highways New Zealand, Waka Kotahi NZTA would be abolished.

The Infrastructure Commission and Treasury would monitor the performance of the Crown infrastructure companies and advise on specific interventions in the infrastructure market. For instance, they would advise Ministers on providing specific subsidies to make non-commercially viable projects work if those projects had important strategic benefits.

An independent Parliamentary Infrastructure Auditor

would be appointed to monitor investments made by Ministers, Crown infrastructure companies, and councils in significant infrastructure projects. This performance monitor would hold decision makers accountable for the quality of their cost-benefit analyses and for cost and time overruns in projects they commissioned. It would allow opposition parties to make informed criticisms of government decision-making and ensure that bureaucrats, councillors, managers, and Ministers were focused on maximising value for taxpayers' money.

Local Government Infrastructure

Local governments face essentially the opposite problem to central government. **Due to debt caps, local governments are unable to borrow sufficiently to build projects at the scale and speed required.** Financing problems often impose artificial restraints on the simultaneous delivery of projects, which can help to deliver projects significantly more quickly and with less disruption. Infrastructure priorities are determined by present-day ratepayers' willingness to foot the bill, even when most of the benefits of the infrastructure will be enjoyed by future generations.

ACT will make it easier for communities to create off-balance-sheet infrastructure special purpose vehicles (SPVs). The debt raised by these SPVs will be secured against the assets themselves. Councils will be specifically banned from bailing them out. The



risks will be borne by investors, rather than ratepayers, and the riskiness of local government debt councils' costs of borrowing will not increase. The creation of pervasive user pricing will make creating these SPVs easier as their revenue will depend on demand, just like a typical business in the private sector, rather than the decisions of politicians.

Because these SPVs will not have the backstop of simply taxing ratepayers more to pay for any cost overruns, they will be incentivised to deliver projects on-time and under-budget. Where a proposed infrastructure project was not easily amenable to funding through user fees, these off-balance-sheet SPVs could be funded through service agreements with local governments and similar institutions like WaterCare, which would pay the SPVs pre-agreed volumetric and quality-adjusted fees for a long period.

SPVs could also be funded through project taxes, levied on local communities as part of their rates bill. Any community organisation or individual could initiate such a project proposal (e.g. to build a new community pool). If the proposal received sufficient support from the local community in the form of a petition or was proposed by an institution with an existing mandate (e.g. a local or community board), the Council would be required to facilitate a referendum of the community approving a special tax for these purposes.

Crucially, because these vehicles would own the assets for the long-run, they would have specific incentives to ensure they were delivered to a high standard. They would also be able to avoid the problems created by council procurement and management. Councils would also no longer face the conflict of interest of both owning projects and regulating them.

The Local Government Funding Agency (LGFA) would be funded by central government to develop expertise in project financing. Councils and community organisations would be able to receive free advice from the LGFA to assist them in structuring these vehicles and managing these projects.



Under ACT, councils would also receive increased funding to pay for infrastructure pressures. This would be done by sharing 50% of the GST revenue raised from new residential construction in their region with them. This would free up \$1.2bn a year for infrastructure development, concentrated in the most high-growth regions.

Councils would be held accountable for their infrastructure performance through long-term planning. Groups of councils (e.g. regional councils combined with all of the district councils in their jurisdiction) would agree 30-year infrastructure partnership agreements with the Infrastructure Commission which would lay out measurable goals for infrastructure delivery. The Infrastructure Commission, with oversight from the Parliamentary Infrastructure Auditor, would then report on councils' achievement of their agreed objectives every three-years, before each set of local government elections, so that voters could hold their representatives accountable.

ACT will also request officials work on incentivising councils to voluntarily work together to deliver infrastructure. By forming voluntary conglomerates with each other, councils would gain increased bargaining power and increased shared expertise. They will also allow the costs of infrastructure projects to be better shared between ratepayers who benefit, removing artificial barriers to certain projects being built.

Conclusion

It is time to build. New Zealand must make the best possible use of our natural and built environments if we are to prosper. Unfortunately, neither the RMA as it stands, nor the Government's proposed reforms will allow us to do so. Both take the politically convenient route of hiding the real trade-offs involved behind masses of bureaucracy and legalese.

By contrast, ACT's proposals allow landowners, communities, and governments to grapple with those

trade-offs and reach the most effective solution through negotiations and trading. Similarly, our infrastructure reforms subject investment to real discipline and enable proper pricing.

That will allow taxpayers to get more bang for their buck and for more funding to emerge through innovative financing mechanisms. It is a practical prescription for progress.





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