

STICKING TO THE PLAN

The NZ Government's major investment in infrastructure has supported the economy through the recession, Deputy Prime Minister Bill English tells *Darragh O Keeffe*.



The creation of the Future Investment Fund by the New Zealand Government has increased confidence and certainty for investors and developers, to the extent they are increasingly committing to skills acquisition, according to Deputy Prime Minister Bill English.

The fund, which is to receive all proceeds from the mixed ownership model, was allocated NZ\$550 million in the 2012 Budget. (Budget 2013 confirmed a further \$1.5 billion of new capital investment from

the fund.) The fund's first NZ\$1 billion is to be allocated to the 21st century schools program.

English, who is also Minister for Infrastructure, believes that investors and developers view the fund as part of a reassuring funding environment. "If you're an investor or developer in New Zealand, what you see is government committed to some very significant infrastructure investment, backed by surety of funding," he tells *RTN* in a wide-ranging interview.

That air of certainty is reflected in a renewed commitment among developers to skill acquisition. "In the Australasian market, there's shortages of skills, even with higher rates of unemployment. These companies can now see a significant pipeline of work, which is encouraging them to take a bit more responsibility in training people up, because they know they're going to need them a number of years on end, just for one project."

GOING ACCORDING TO PLAN

English says that implementation of the government's National Infrastructure Plan is progressing well. The plan, which was released in July 2011, aims to reduce business uncertainty by outlining the government's priorities for the next 20 years. It outlines infrastructure issues in the key sectors of transport, telecommunications, energy, water and social infrastructure.

"All the projects we set out to invest in three years ago are underway, assisted by some changes in legislation that makes it easier to get bigger projects up and running. The funding for those projects is largely in place," he says.

On the regulatory side, the government is progressing with its changes to the *Resource Management Act*, the focus of which, according to English, is on reducing the time and cost of decision making while maintaining the ability for people to contest the trade-offs between environmental impact and the development of more jobs.

"There's been quite a strong political pressure, too. Unemployment has risen a bit to just over 7 per cent. The public at large wants to see more investment, more quickly, so there is more jobs." He says the government is responding to that through a series of legislative amendments, some of which have already been made while another round is due by the end of this year.

CHRISTCHURCH REBUILD 'PICKING UP SPEED'

Discussing the rebuilding of Christchurch following the devastating earthquake of 2011, English says that progress is picking up speed, with the demolition of over 1,000 buildings in the CBD almost complete.

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21



BILL ENGLISH ON...

The Future Investment Fund

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Rebuilding Christchurch

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The water sector

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He says the large public rebuilds are in the pipeline.

"For instance, we have to rebuild the Christchurch hospital, which is a \$700 million project, rebuild a chunk of our justice facilities, like police, courts, prisons. There are plans for a convention centre, and then all the public facilities have to be rebuilt."

The largest segment of the rebuild is residential, and while English acknowledges there has been some frustration regarding delays with insurance, he says an increasing number of rebuilds are now underway. Up to 10,000 houses need to be built in Christchurch over the next four to five years, he adds.

With the council and the government having produced the redevelopment plan for the CBD, developers and prospective tenants are now "going through the messy process of resetting capital and rental values". That will see significant commercial rebuilding getting underway in the next 12 months, he says, adding that the other big opportunity is the rebuild of the in-ground infrastructure, such as the water system.

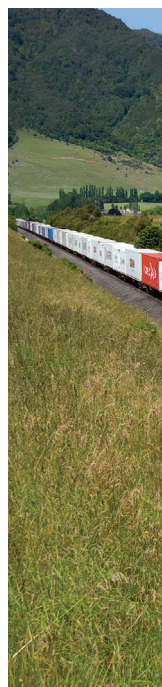




Image courtesy of Gabriel Pollard.

NZ INFRASTRUCTURE BY NUMBERS

- **11,000 km** State highway network
- **4.8 million** Mobile phone connections
- **17 million** Barrels of oil produced by NZ
- **3,400 km** High pressure gas transmission pipes
- **\$100 billion** Value of local government infrastructure assets
- **77%** Electricity generated from renewables
- **12,000 km** National Electricity Grid
- **374** Police Stations
- **39** Hospitals
- **69,000** State houses (owned or leased)
- **600,000** Hectares of irrigated land across NZ
- **4,000 km** Rail corridor
- **2,474** Schools
- **4.9 million** tonnes coal produced (over 2.1 million exported)
- **43,000** GWh electricity generated

SOURCE: Building Infrastructure, November 2012



Image courtesy of Kiwi Rail.

A key target for the rebuild is that it improves resilience and incorporates innovative design. Indeed, English describes this as “a critical aspect of the whole Christchurch rebuild”.

“Some of the businesses have said to me, their staff are only going to go back into a building that they believe will be resilient to a major earthquake.”

He refers to the Royal Commission into the building standards and the subsequent outcomes, including the standards for buildings. “The whole market can see the very big opportunity, with so many new buildings going in, to really lift the resilience and innovation.”

BROADBAND ROLLOUT UNDERWAY

Like Australia, New Zealand is progressing with an extensive rollout of high-speed broadband. The government is investing NZ\$1.6 billion in the Ultra Fast Broadband Scheme and the Rural Broadband Initiative.

English says there is currently a relatively small number of people hooked up to broadband, but he expects the numbers to increase over the next seven to eight years. He says there have been some pricing and regulatory issues around the ongoing use of the copper network, but these won't affect the rollout.

He reports a lot of enthusiasm among certain key sectors, such as education and health, to the possible uses of broadband. Interest is also being shown by parts of the business sector for which broadband is directly relevant, such as the filmmaking and animation industries, as well as software producers.

“We're seeing a growing understanding in the rest of the business community of the opportunities. This is a fully open network, and probably the next phase is retailers picking up the opportunity to develop the product they want to run over this network. In that sense, the rollout is a bit ahead of the retail market,” he says.

RAIL PROJECTS

Elsewhere, English says the 10-year Turnaround Plan, which aims to reconfigure KiwiRail as a self-sustaining commercial entity, is progressing “not quite as fast as we'd like, but probably better than everyone expected”.

He says two factors have driven the progress to date. The first is a heavy investment program, updating 50-year-old rolling stock of locomotives and wagons, as well as the beginning of a long program of upgrading the main network. The second has been the market response to that investment, which he says was more positive than the government expected.

“They've grown freight volumes in the first couple of years by about 15 per cent. They've moved their on-time performance from 70 per cent to 90 per cent. The market has responded very positively to that.”

FAR LEFT: Rebuilding Christchurch. TOP: West Wind in Makara, Wellington. BOTTOM LEFT AND RIGHT: New Zealand has a 4,000 km rail corridor.

With respect to the major upgrades to the commuter rail services of Wellington (NZ\$485 million) and Auckland (NZ\$1.6 billion), English says the government has re-organised who's doing the investment, as well as the governance arrangements. He adds that the patronage on the Auckland network has doubled.



ABOVE: Upgrades at Manapouri station. RIGHT: Bill English (LEFT) and NZ Prime Minister John Key visiting the site of a new retirement village, north of Wellington.

WATER

English acknowledges that work to improve the water sector, which rated poorly when measured against the principles in the National Infrastructure Plan, has been slower than he'd have liked.

However, he says the government has increased the level of performance information it gets from local authorities. "One of the reasons [water] rated poorly is because the level of understanding of performance and cost in our water networks is relatively low, and it's not a good basis for decision making.

"So as a first step to improvement we've given local authorities mandatory performance measures on standardised metrics. I would hope over the next couple of years that's a part of the Infrastructure Plan we can focus on, because there are good opportunities for better performance there."

RENEWABLE ENERGY TARGET

Conversely, New Zealand appears to be making strides when it comes to reaching the government's target that 90 per cent of electricity be generated from renewable sources by 2025.

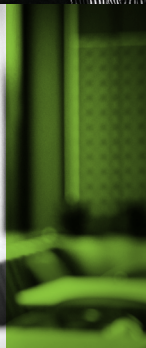
English says the proportion of electricity generated from renewable sources rose from 65 per cent in 2008 to 76 per cent last year. "We're doing that without any significant subsidies. Two or three years ago, the government did a review of the electricity market and made a number of changes, which have made that market more competitive. We believe that has helped with the growth in renewable energy providers, bearing in mind that in New Zealand the majority of

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generators are renewable energy generators. They can compete pretty robustly with more expensive new generation. But we're pretty happy with progress there."

English also notes that, with regards to electricity transmission, Transpower, the national grid operator, is nearing the end of a NZ\$3 billion investment program to upgrade the whole network. "The infrastructure's in pretty good shape here," he says.

FOCUS ON MANAGEMENT

While the government has "a few major projects" ahead, it will be increasingly moving the focus to the improved management of the infrastructure, "through different contracting arrangements, better measuring of what we're achieving, better pricing, improving the pricing for the use of it", English says.

"We set in train this pretty large investment program several years ago ... It has been a big support for jobs and the economy through the recession. We are pleased with progress, and we're very pleased we've stuck to the plan."

He says implementation of the infrastructure plan is at a point where New Zealanders can start to envision when some of these large investments will be completed. "For instance, the Waterview project,



which is one of the largest projects in the southern hemisphere, is now well underway. It's been argued about for 20 years, but we can now see a time when it'll be finished.

"Businesses who move here from Australia will find infrastructure in good shape and one aspect of New Zealand's competitive advantage," he says.

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