

## Property Council New Zealand

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# Submission on the Draft Government Policy Statement on land transport 2024-34

27 March 2024

**For more information and further queries, please contact**

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## **Property Council New Zealand submission on the Draft Government Policy Statement on land transport 2024-34**

### **1. Summary**

1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit to the Ministry of Transport (“MOT”) on the Draft Government Policy Statement on land transport 2024-34 (“GPS”). Comments and recommendations are provided on issues relevant to Property Council’s members.

### **2. Recommendations**

2.1 At a high level, Property Council recommends:

- The Minister of Transport seeks to receive cross partisan agreement (where possible) to secure the longevity and delivery of significant transport projects;
- The Minister of Transport prioritise what projects will enter the fast-track consenting process to ensure that the new fast-track consenting system does not become overwhelmed with projects;
- The Minister of Transport work closely with the Minister Responsible for RMA Reform to ensure that resourcing will not become the bottleneck of the future fast-track consenting system;
- The MOT investigate public transport projects that can complement the roads to unlock housing growth and better incentivise a range of housing options along key transport nodes;
- The Minister of Transport review Property Council Transport Project Principles across the proposed public transport projects to ensure a combination of Property Council’s principles can be achieved for improved transport outcomes across New Zealand;
- The Minister of Transport establish a Northwest Rapid Transit Corridor Sector Advisory Group, of which Property Council and its selected members are active participants;
- The Ministry of Transport provide greater detail around the outcomes it seeks to achieve to create a “more resilient network” such as reducing State Highway closures and having plans in place for anticipated effects of climate change on key transport networks;
- Congestion charges need to be coupled with increased availability of alternate modes of transport, such as investment in new public transport services;
- The MOT meet with Property Council to discuss our value capture principles prior to drafting value capture advice to the Government;
- The MOT investigates opportunities to incorporate Special Purpose Vehicles through the Infrastructure Funding and Financing Act as an alternative funding mechanism, particularly to new greenfield developments that see the introduction of new transport infrastructure; and

- A coordinated approach between the public and private sector occurs to ensure that future city and regional deals reflect private sector intentions to invest and develop.

### **3. Introduction**

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive".
- 3.2. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand. We aim to unlock opportunities for growth and urban development that meets New Zealand's social, economic and environmental needs.
- 3.3. Property is New Zealand's largest industry and fastest growing source of employment. Property provides a direct contribution to GDP of \$41.2 billion (15 percent) and employment for around 200,000 New Zealanders every year.
- 3.4. Property Council is the collective voice of the property industry. We connect over 10,000 property professionals and represent the interests of approximately 550 members organisations across the private, public and charitable sectors.

### **4. Section 2: System Reform**

- 4.1. New Zealand's current infrastructure deficit coupled with significant challenges for the building and construction sector is creating a perfect storm of uncertainty, and directly impacts on delivery. Current challenges such as; skill shortages, demand for housing and supportive transport infrastructure, a slow and overcomplicated resource management system, and environmental (resilient and mitigation) matters all have financial constraints which directly impact New Zealand's land transport system. Transport is a critical economic enabler and thus requires systemic reform.
- 4.2. Property Council supports the Government's top priority for transport investment to support economic growth and productivity in the New Zealand economy. The cyclical nature of the construction sector depends on forward work programmes that will provide certainty and stability for the sector. Every \$1 invested in construction produces between \$2.51 and \$3.11 in economic activity.<sup>1</sup>

#### National Infrastructure Agency, Infrastructure Commission and NZTA 30-year infrastructure plan

- 4.3. We support the proposal for the National Infrastructure Agency ("NIA"), the Infrastructure Commission, and New Zealand Transport Agency ("NZTA") to develop a 30-year plan for transport infrastructure. The 30-year plan will align with the Government's long-term infrastructure plan (i.e. Roads of National Significance, major public transport infrastructure and other transport infrastructure programmes).
- 4.4. Developing 30-year infrastructure plans is a step towards providing for improved certainty for the sector. However, we continue to have concerns around the political nature of transport

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<sup>1</sup> PWC. (2016) Valuing the role of construction in the New Zealand economy.

projects and how different successive governments will impact the priority of projects. Long-term stability is key for delivery and enhancing the economic outlook and prosperity for New Zealand. We recommend getting cross partisan agreement (where possible) to secure the longevity and delivery of significant transport projects.

#### Fast-track consents

- 4.5. Property Council New Zealand's November 2023 member survey highlighted the top advocacy priority for our members is **Building System Reform**. This includes the topic of resource consents and the need to improve the current consenting system.
- 4.6. We support the proposal for enabling fast-track consents for major infrastructure projects such as; the Roads of National Significance and rapid transit projects. Fast-track consenting enables confidence and provides certainty to the delivery of projects.
- 4.7. Despite our support, we do hold reservations on the potential size and scale of projects that will require fast-track consenting. Coupled with ongoing risk due to resourcing issues, complex projects may inadvertently clog up the system. We are concerned that fast-track consenting may not be feasible long-term if resourcing issues (e.g. quality and compensation of members on the expert panel) are not resolved. Previously, panellists did so as a 'public good' during COVID-19. Increasing compensation for expert panel members would be one incentive to improve expertise and uptake. Property Council's development sector members would be prepared to pay more for a much-shortened resource consent process.
- 4.8. We strongly encourage the Minister of Transport to prioritise which projects will enter the fast-track consenting process over the coming months and years, to ensure that the system can be used as intended – a fast-track system. We also encourage the Minister of Transport to work closely with the Minister Responsible for RMA Reform to ensure that resourcing will not become the bottleneck of the future fast-track consenting system.

#### 10-year investment plan

- 4.9. The GPS proposes to amend the Land Transport Management Act 2003 to require future GPS on land transport to adopt a 10-year investment plan. Property Council strongly supports a 10-year investment plan for GPS 2027, as this will provide the sector with more certainty of pipeline and projects.

### **5. Section 3: Strategic Priorities**

#### Strategic Priority: Economic Growth and Productivity

- 5.1. Property Council supports the Government's top priority for transport investment to support economic growth and productivity in the New Zealand economy. This will see the re-introduction of the roads of National Significance programme, started under the previous National Government in 2009.

#### *Roads of National Significance*

- 5.2. We are pleased to see the GPS make a strong connection between new Roads of National Significance and housing. Roads of National Significance and public transport projects can unlock greenfield land and supporting intensification for housing. With New Zealand's population rapidly increasing, it is critical that the housing approach of both up and out is

supported by transport infrastructure to encourage and enable new housing opportunities that increases supply.

- 5.3. In particular, our members support and have interest in the Roads of National Significance in Auckland, Central, Wellington and South Island regions.
- 5.4. New Zealand's residential market is two to three times the size of the commercial, industrial and retail market. For every \$1 contribution by the property industry to national GDP results in an additional \$1.80 of flow-on economic impacts.<sup>2</sup> Increasing housing supply is not only critical for New Zealand's economic growth and productivity, but also to provide a range of housing supply, choices and affordability options.
- 5.5. The GPS outlines three roads to unlock housing growth: Hamilton Southern Links, Petone to Grenada Link Road and the Cross Valley Link, and North West Alternative State Highway (SH16). Although we are supportive, it is critical that public transport is a core element to any proposal seeking to unlock housing. We note, the North West State Highway has limited bus lanes. Furthermore, internationally, build-to-rent developments typically have limited parking facilities, and are near public transport nodes to support greater connectivity to amenities and reduce carbon emissions.
- 5.6. We recommend the MOT to investigate public transport projects that can complement the roads to unlock housing growth and better incentivise a range of housing options along key transport nodes.

#### *Additional Waitematā Harbour Connections*

- 5.7. Another example of the Government's commitments to other projects that may enable intensification of housing is the additional Waitematā Harbour Connections project. Property Council supports the project so long as it can align with our Transport Priorities set out below. We acknowledge the upfront cost of additional Waitematā Harbour Connections and support alternative funding mechanisms as outlined in the below section.
- 5.8. Property Council in conjunction with our regional committees have recently developed high-level 'Transport Project Principles'. Applied nationwide, these principles outline that we support public transport projects that aim to achieve the below:

#### **Property Council Transport Project Principles**

- i. Unlock mass housing opportunities to reduce carbon.*
- ii. Encourage people towards mass rapid transport, reducing future commute times, and increasing productivity across the region.*
- iii. Free up existing routes for freight movement and interregional travel.*
- iv. Any approach to funding and financing of transport projects should be the result of meaningful and early engagement with the development community and be value for money.*
- v. Has network alignment with other key regional transport projects.*

<sup>2</sup> Urban Economics. (2021) New Zealand 2021 Property Industry Impact.

- 5.8 Thus, any additional projects must align with our transport principles to receive support. We recommend the Minister of Transport review Property Council’s Transport Project Principles across various proposed public transport projects to ensure a combination of the principles can be achieved for improved transport outcomes across New Zealand.

#### *Public Transport*

- 5.9. We support planning to be undertaken in the next three years for the delivery of the Northwest Rapid Transit Corridor. However, we are concerned that the timeframe is too long, and should be shortened. Time and time again, we have seen business cases for projects been developed but not delivered. New Zealand urgently needs the successful delivery of projects.
- 5.10. There are lessons that can be learnt from Let’s Get Wellington Moving and Auckland Light Rail projects. Any future large-scale public transport projects will require buy-in from the private sector, particularly for development (as the Government intends) to closely follow. Property Council and its members were actively involved in the Auckland Light Rail Uplift Working Group which objectives included testing the thinking of the Auckland Light Rail group on project design and engagement, understand the opportunities and constraints within the corridor and explore the different value capture models that could be applied to the project.
- 5.11. We recommend that the Minister of Transport establish a Northwest Rapid Transit Corridor Sector Advisory Group, of which Property Council and its selected members are active participants.

#### Strategic Priority: Increased maintenance and resilience

- 5.12. We support the GPS adopting a more proactive approach to maintenance, to achieve a more reliable and resilient network. We are strong supporters of the proposal to ensure that the State Highway Pothole Prevention and Local Road Pothole Prevention activity classes funds are ringfenced.

#### Outcomes the Government expects will be achieved by the GPS

- 5.13. Property Council supports the outcomes the Government expects will be achieved by the GPS.
- 5.14. The GPS refers to creating “a more resilient network” however, it does not provide specific details as to what this may look like in practice. We recommend incorporating outcome statements that relate to the following:
- a reduction in the number/duration of planned and unplanned State Highway closures;
  - ensuring route security on key strategic corridors;
  - having plans in place for anticipated effects of climate change on key transport networks; and
  - the ability to provide infrastructure corridors to unlock access to greenfield urbanised areas with direct access to interchanges.

## **6. Funding and financing**

- 6.1. Property Council supports the use of a range of alternative funding tools for the transport system such as road tolling and congestion pricing, value capture, public-private-partnerships

and use of Special Purpose Vehicles or targeted rates. Our position on road tolling, congestion pricing, value capture and special purpose vehicles is outlined in more detail below.

*Road tolling and congestion pricing*

- 6.2. The GPS proposes to introduce tolling and time-of-use charging over the coming years across New Zealand. Property Council supports a transparent, user-pays approach to funding and financing transport infrastructure. We believe that user-pay systems ensures that those that directly benefit from new infrastructure and services make a fair and equitable contribution towards the cost of delivering that service.
- 6.3. It is important to note that congestion charges need to be coupled with increased availability of alternate modes of transport, such as investment in new public transport services. This is to prevent inequitable impacts on both commuters and businesses, if the increased cost of using the road network is not meet with viable transport alternatives.

*Value capture*

- 6.4. In particular, we support the concept of value capture, which is new to New Zealand. Various international jurisdictions have utilised value capture as an infrastructure funding mechanism. Value capture seeks to collect revenue from the private 'value' that public investment in infrastructure generates. For example, when the Government builds new infrastructure that unlocks development opportunities, there is generally an uplift in property value, the benefit of which goes to the landowner. There are multiple value capture methods, which are adopted at various stages of the development process. However, a clear definition and rules based on principles is required to ensure that the new proposal is fair and equitable to all beneficiaries.
- 6.5. In short, we see value capture as an approach to infrastructure funding where government looks to receive a contribution from properties that receive value, as a result of central or local government investment.
- 6.6. Property Council New Zealand in conjunction with our members and stakeholders<sup>3</sup> developed the below value capture principles (see next page).

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<sup>3</sup> Property Council met with the following stakeholders throughout 2022/23 to discuss and agree on our value capture principles: Eke Panuku, Auckland Transport, Auckland Council, Hamilton City Council, Tauranga City Council, Wellington City Council, Let's Get Wellington Project Team, Auckland Light Rail Project Team, New Zealand Transport Agency.

- 6.7. As such, we would support the introduction of a value capture system that incorporated the below principles:

**Property Council Value Capture Principles:**

1. As a funding tool, value capture must only be applied to large scale infrastructure projects, that unlock significant new development opportunities and housing supply.
2. Value capture must only apply to properties with a clear geographic link to the new infrastructure and be applied to properties that have seen an increase in value and/or their development capacity (i.e. zoning).
3. Value capture must differential between property types (e.g. commercial, office, industrial and residential) to reflect value received.
4. Value capture should not detrimentally impact the financial feasibility of future developments and should not be used to wholly fund any particular project.
5. To prevent unintended consequences and perverse outcomes, value capture should be the result of meaningful engagement with all sectors (including the private sector), signalled well in advance, and not be retrospectively applied.

- 6.8. Due to Property Council’s collaborative approach in developing value capture principles, we recommend the MOT meet with Property Council to discuss our value capture principles prior to drafting value capture advice to the Government.

*Special Purpose Vehicles*

- 6.9. Property Council strongly supports Special Purpose Vehicles (“SPVs”) as enabled under the Infrastructure Funding and Financing Act. We have previously championed Tauranga City Council’s use of the IFF Act for the Transport System Plan. Ultimately, this approach makes the cost of new transport infrastructure more transparent, improves intergenerational equity by spreading the cost over a sustained time-period, and unlocks additional infrastructure investment.
- 6.10. We recommend the MOT investigates opportunities to incorporate SPVs, particularly to new greenfield developments that see the introduction of new transport infrastructure.

**7. Section 5: Statement of Ministerial expectation**

- 7.1. The Government is considering how city and regional deals between central and local government can provide an opportunity to integrate long-term strategy and planning across the transport system. Property Council is interested in understanding the future role that the private sector can play in city and regional deals. For example, if a city and regional deal for public transport was made with the expectation of unlocking housing, it is critical that the settings are right for that development to occur. In other words, we don’t want a train to nowhere.
- 7.2. We recommend a coordinated approach between the public and private sector occurs to ensure that future city and regional deals reflect private sector intentions to invest and develop.



## 8. Conclusion

- 8.1. Property Council welcomes the Draft Government Policy Statement on land transport. We support the proposed transport funding approach and recommend that further investigation occur into additional public transport projects that can complement roads that unlock housing. We also recommend that the Ministry review Property Council's Transport Principles and Value Capture principles and request a meeting to discuss in greater detail.
- 8.2. Comments and recommendations are provided on issues relevant to Property Council's members. For any further enquiries, please do not hesitate to contact Katherine Wilson, Head of Advocacy, via email: [katherine@propertynz.co.nz](mailto:katherine@propertynz.co.nz) or cell: 027 8708 150.

Yours Sincerely,



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