

// SUBMISSION



NZTA Emergency Works Investment Policies consultation

// Local Government New Zealand's submission

// June 2024



Ko Tātou LGNZ.

LGNZ champions, connects and supports local government. We represent the national interests of councils. Our aim is for New Zealand to be the most active and inclusive local democracy in the world.

Introduction

Local Government New Zealand (LGNZ) welcomes the opportunity to submit on NZTA's emergency works investment policies consultation.

We have serious concerns with the proposals outlined in this consultation document, which represent another "unfunded mandate" on councils. We think this approach represents something being "done to" councils, rather than "done with" them, and appears to be driven by NZTA's financial constraints rather than what is best for the transport network. It does not adequately consider the current environment, where councils are already facing significant costs and having to pass these onto their communities via rates increases.

It is unrealistic for NZTA to simply shift the problem of climate change on to councils, and to expect councils to be able to absorb the impact of proposed changes. Instead, these proposals are likely to reduce levels of service in transport networks across the country, particularly in areas more exposed to the risks posed by climate change.

Local government is keenly aware of the impact that increasingly frequent severe weather events are having on New Zealand's infrastructure, particularly transport infrastructure, and the fiscal pressures arising from this. These impacts will only get worse over time. The challenge of how to sustainably fund the response to these impacts needs to be addressed in a joined-up way across central and local government through things such as the Finance and Expenditure Committee's inquiry on climate adaptation.

Key points in our submission

- These proposed changes represent another unfunded mandate on top of an already unsustainable funding system for local government, and will transfer significant costs to local government from NZTA.
- The impacts of these proposals have not been adequately considered and the likely consequence will be reduced service levels, particularly in rural areas and other isolated communities.



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- Most councils will lack the fiscal headroom to absorb reduced National Land Transport Fund (NLTF) contributions to emergency works or to invest more in proactive asset maintenance and resilience measures to better protect at-risk infrastructure. Long-term plans (LTPs) that are currently being finalised will not be able to take these changes into account.
 - Instead of shifting these costs onto councils, central government needs to address the system challenges driven by increased impacts from climate change.
 - There needs to be consideration of alternative methods of funding these works, such as local or national emergency works levies, to relieve pressure on the NLTF. But any new funding source should be administered in a way that avoids cross-subsidisation between low and high-risk areas, and provides long-term certainty of funding.

Our submission

We accept that the funding approach for emergency works needs to be made sustainable, but do not agree this should be through shifting costs to councils

Right now, many councils are still grappling with the impact of the adverse weather events that occurred at the start of 2022. These events caused significant damage to infrastructure owned by councils, which had limited financial means to repair it.

We appreciate the significant drain that these events and others over the past 10 years have placed on the NLTF. Given that the budget for emergency works is now routinely exceeded, we agree changes should be made so that repairs can be sustainably funded.

These proposed changes to emergency works funding undermine the broader discussion that needs to be had. We understand that NZTA is responding to its fiscal position, but feel this approach potentially forces councils into snap decisions about their transport networks, rather than taking a coherent position based on what the best split in roles and responsibilities is between local and central government, and how choices around transport networks may fit into a region's broader plan regarding the effects of climate change.

As our climate continues to change and extreme events become more frequent, there needs to be serious conversations about how to determine which transport links are most important to communities, what levels of service communities are prepared to accept, and how to prioritise both repairs and mitigating works.

This is why working towards a “transport network that can adapt to the future climate and prioritise decarbonisation” was a key pillar of the LGNZ Position Statement on Transport adopted last year. As we said at the time:

The increased frequency and impact of threats associated with a changing climate and natural hazards have shown how vulnerable many of our communities are to being cut off at any time when roads are damaged. Significant proactive investment and a joined-up approach to long-term planning are vital to increase the resilience of the transport networks that connect our communities.

... we also need to make sure that our transport networks are resilient to the impacts of climate change, which are being felt by communities with increasing frequency and intensity...

Councils already work closely with communities to develop solutions that are right for their local context and can deliver mitigation and adaptation solutions at place. But they need

support beyond the existing funding and financing tools to deliver the level of change that is needed.¹

Constrained council finances mean these proposals likely represent a downgrade in service provision by stealth

As has been well publicised this year, councils across the country are facing significant increases to their costs, which are translating into average rates rises of around 16% – the highest seen in decades.

Research recently undertaken by Infometrics shows just how severe some of these cost pressures are:

- In the past three years the cost of building bridges has increased by 38%, and the cost of building sewerage systems by 30% – a 20% increase over and above anticipated cost escalation in that timeframe.
- Operating costs for councils have also increased at a relatively high rate, with labour cost inflation more than double the pre-pandemic average, and interest payments up 64% on pre-pandemic payments.²

What this means is that councils simply do not have the ability to absorb reductions in NLTF funding for emergency works – particularly councils in high-risk areas that are already struggling to fund significant repairs to their network following recent natural disasters. In the absence of transformative funding and financing reforms, which LGNZ is advocating for, these pressures will only grow as the risks posed by climate change become greater.

We note that the consultation document suggested that alternative funding sources (such as fixed-term contestable funds) could be sought out by councils to pay for works on uneconomic transport infrastructure. While this may provide a short-term fix, it does not represent a sustainable, long-term solution that councils can plan around.

Our members also noted that while the consultation document proposed these changes come into effect from 1 July 2025, LTPs currently in the process of being finalised will not reflect any changes to emergency works funding.

¹ Local Government New Zealand (2023), Local Government Position Statement on Transport

² Infometrics (2023), Analysing Increases in Local Government Costs for Local Government New Zealand

Proposed enhanced FAR changes fail to account for likely declines in service provision

We note that the consultation document proposes three key changes to FAR rates – firstly, increasing the threshold for access to an enhanced FAR rate to a 1-in-20-year event, reducing the enhanced FAR rate from 20% to 10%, and reducing provision of a bespoke FAR to instances where the Crown effectively pays for it through a Crown top-up to the NLTF.

The consultation document makes a number of claims around behaviour that these changes may incentivise, some of which we challenge.

We agree that this will increase the financial burden on Approved Organisations (AOs), at a time where councils are already struggling with high rates rises and the increased cost of providing, maintaining and repairing infrastructure.

While there is a chance that the changes could incentivise more proactive maintenance and a greater focus on resilience from AOs, there is no evidence provided as to what the potential gains are to be made here, nor any suggestion that this would come close to being able to make up the difference from the tens of millions of dollars that the document estimates will be lost in NLTF funding through the proposed rule changes. In any case, given the tenuous financial situation that councils across the country are facing, we believe it is unlikely that most will have the fiscal headroom to spend more on proactive maintenance and resilience measures than they do already.

We are concerned that the consultation document fails to account for what we believe is the most likely impact of these changes – which is reduced levels of service in areas impacted by natural disasters in the future. NZTA should consider whether any wider behavioural changes that may be driven by these proposed changes are consistent with wider government work on the response to climate change.

It is sensible to ensure AOs plan ahead, but most councils are already doing this

The consultation document says the new rules will clarify the obligations AOs must meet in order to have access to enhanced FAR, specifically having “*considered, in advance of an emergency event, which parts of the network are prioritised to restore levels of service and which parts of the network may require consideration of a different level of service or alternatives to recovery*”, and ensuring that “*After an emergency event, genuine discussions with funders and affected communities occur for those parts of the network where consideration of a different level of service or alternatives to recovery is appropriate.*”

While we agree that this is important, our understanding is that councils generally already undertake this activity, though how this occurs is inconsistent across the country and, as mentioned earlier, would benefit from a co-designed, nationally consistent framework on climate adaptation.

Before costs are shifted on to local government, consideration should be given to funding tools that could help pay for emergency works in the future

LGNZ has long advocated for a broader range of funding and financing tools for local government to use. Our preference is a “toolbox” approach, where a wide range of different options can be used in combination by councils to best suit their own local circumstances.

In the absence of any alternative tools, and assuming councils wish to avoid significant cuts to service levels within their transport networks, any additional costs for repairing the transport network following severe weather events will likely mean even higher rates increases for communities. This is on top of other significant cost increases facing local government, and an already unsustainable funding system for local communities.

Our members told us they were open to tools like locally or nationally levied disaster levies to help pay for such works, though wanted to ensure that these were fair and equitable and did not result in cross-subsidisation between high- and low-risk areas. While that might be outside the scope of the emergency works review, we believe it would’ve been better practice for a more fulsome discussion, possibly including other agencies, that included alternative funding and financing to take place instead of this narrowly focused review.

The solution to the current funding constraints for NZTA needs to be determined within the wider conversation on climate adaptation between central and local government

Local government is keen to work with central government on how to respond to climate change, and we’re pleased to see that the Finance and Expenditure Committee’s inquiry into climate change adaptation is continuing. Having a clear-eyed discussion about roles and responsibilities for adaptation – including who pays for what – is a key issue for councils, and we note that the Select Committee’s inquiry will specifically cover *“what support will be available to help with recovery from events like slips or floods³”*.

Members we spoke to were realistic about the need to look across their respective transport networks and consider what level of service provision in the future is feasible. This includes what links should be prioritised following any adverse weather event because they sustain economic activity, access to commerce, services, recreation, cultural activities, or access to ancestral lands, marae, papakāinga and other sites of significance for Māori.

LGNZ has already thought about what this broader discussion could look like. When LGNZ submitted on the Environment Committee’s inquiry into community-led retreat last year, we noted that

³ Hon Simon Watts (2023), Climate Change – Mitigating the Risks and Costs

“climate adaptation will require all levels of government to work in concert to deliver the right policy settings, compensation, and incentives”⁴.

We said there should be a framework that *“clearly outline roles and responsibilities for adaptation action and provide tools and mechanisms that will assist with funding adaptation planning and options.”⁵* It would need to be developed with strong local input, recognising councils’ local knowledge and key role in implementation. It would also need to include *“risk assessments, establishing levels of community tolerance for risk, locally led adaptation planning, a framework for ‘community-led retreat’, and funding mechanisms”⁶*.

This will be a difficult process, but the alternative – an ad hoc, issue-by-issue approach to dealing with the impacts of climate change – would be much worse.

Conclusion

LGNZ thanks NZTA for the opportunity to submit on the emergency works investment policies consultation. We welcome the opportunity to work with the Government on the recommendations and issues raised in our submission. For further information or if we can be of any assistance, please contact William Blackler, Senior Policy Advisor at william.blackler@lgnz.co.nz.

⁴ Local Government New Zealand (2023), Inquiry Into Community-led Retreat

⁵ Ibid.

⁶ Ibid.