

10 August 2012

MacKays to Peka Peka Expressway Proposal
Environmental Protection Authority
Private Bag 63002
Waterloo Quay
Wellington 6140

NZ Transport Agency
PO Box 5084
Lambton Quay
Wellington 6145

Email: mackays@epa.govt.nz
dean.ingoe@nzta.govt.nz

Dear Sir/Madam

Re: MacKays to Peka Peka Expressway Proposal

Background

BusinessNZ would like to take the opportunity to comment on the MacKays to Peka Peka Expressway (M2PP) Proposal application that the Environmental Protection Authority have released. We support the application in full, although wish to make a few comments to ensure government is making the best decision possible.

Roads of National Significance and the Infrastructure Plan

The M2PP is a key feature of the Roads of National Significance (RoNS) programme between Levin and Wellington airport (typically referred to as the Wellington Northern Corridor). Given the seven RoNS have been identified as essential routes requiring priority treatment, expenditure decisions should not be taken lightly since the roads are a key outcome of the Government's National Infrastructure Plan on which BusinessNZ has previously submitted.

It goes without saying that in the broader context, finding the right balance between a full laissez-faire approach to infrastructure spending and an infrastructure central plan is critical to ensure New Zealand is able to respond to the demands put on it by our economic expansion, enabling us to become more competitive with other countries.

We note that a recent report by the World Economic Forum (WEF) entitled 'The Global Enabling Trade Report, 2009' said of New Zealand that:

"Upgrading the quality of infrastructure, especially roads and railroads, would be beneficial to further facilitate a smooth flow of goods both across borders and to destinations inside the country."

While New Zealand ranked 22nd out of 121 countries surveyed for transport and communications infrastructure, its quality of roads ranked a more modest 45th. This should not be seen as the starting point given the various advances in infrastructure planning and implementation over the last few years. However, the WEF report does provide independent evidence that action needs to be taken to enhance the quality of New Zealand's roads, and specifically those that provide the strongest net economic benefit to the country.

Roads of National Significance & Cost Benefit Analysis

No matter how they were examined, fiscal estimates around the RoNS are significant. Drilling down into the figures shows the total cost estimate as at 2009 for the Wellington Northern Corridor to be the most expensive of the seven RoNS projects outlined - \$2.4b at the high end, or around 25% of the total RoNS spend for all seven projects. While the M2PP project is one part of the Corridor cost, undertaking one section signifies an actual step towards a larger projected future spend.

Bearing this in mind, undertaking a Cost-Benefit Analysis (CBA) is essential as part of the proper regulatory process to determine the projects' net economic worth. We note that the New Zealand Transport Agency (NZTA) has already undertaken research in terms of an economic assessment undertaken for the RoNS¹. Rather than using one methodology, SAHA used various models, including an examination of the wider economic benefits. The findings show that for each measurable RoNS, all three methodologies, including the M2PP, would produce a positive economic benefit.

Furthermore, when a comparison of the conventional and wider economic benefits is made across projects, with all three added together, the Wellington Northern Corridor is placed second highest.

Intermodal Competition

The seven RoNS projects are based around New Zealand's five largest population centres, with a focus on moving people and freight between and within these centres more safely and efficiently. The RoNS are deemed as 'lead infrastructure' projects – that is, they encourage economic growth rather than simply responding to it.

¹ Roads of National Significance: Economic Assessments Review, SAHA, July 2010.

Although the BCA report mentions freight issues involving the Wellington Northern Corridor, the discussion around rail as an alternative for freight was only briefly mentioned, namely

‘While it is proposed that a significant portion of this traffic will be handled by rail and NZTA has approved several ATR submissions to support this, it is also likely that given the substantial overall growth in the volumes harvested and processed there will be considerable increases in the volumes potentially transported by road.’

BusinessNZ believes that intermodal competition is an important cross-sectoral issue that warrants more explicit consideration, especially when considering investment in (or subsidies for) state-owned infrastructure companies such as Kiwirail. Ongoing government investment in rail, including the Wellington metro upgrade project, could maximise the efficiency of one supply chain at the long-term cost of other options, such as roading. While it is difficult to provide an accurate assessment of future usage between roads and rail for freight, the Government needs to continue to be conscious of this issue as further investment in both rail and roads occurs.

MacKays to Peka Peka Expressway & Kapiti Coast District

Last, if we were to narrow our examination from a national perspective to solely a regional focus, the Territorial Authority Areas (TLA) for the Wellington Northern Corridor project that will be directly affected need to be examined.

Trying to assess future economic growth by TLA is difficult at best. However, certain proxy measures can be looked at to gauge how improvements in the roading infrastructure could enhance future projections.

StatisticsNZ's latest sub-national population projections from 2006 (base) to 2031 provide an interesting insight into the Kapiti region. The 2006 figures show Kapiti to have a working-age share of the total population at 58%, compared with 67% nationally. Also, at that time Kapiti was one of five of New Zealand's 73 territorial areas to experience more deaths than births. However, table 1 shows the projected population changes from 2006-31 for the main Wellington regional areas, using the high, medium and low points as estimated by StatisticsNZ.

Table 1: Projected Population of Territorial Authority Areas (from 2006 to 2031)

Territorial Authority Area	High	Medium	Low
Horowhenua district	+0.4	-0.1	-0.8
Kapiti Coast district	+1.5	+1.0	+0.5
Porirua city	+1.0	+0.4	-0.3
Upper Hutt city	+0.8	+0.2	-0.5
Lower Hutt city	+0.8	+0.2	-0.5
Wellington city	+1.4	+1.0	+0.5

What is clearly evident is that the Kapiti Coast district leads the overall results, with the strongest ‘high’ annual average increase, as well as being joint first with Wellington city for the ‘medium’ and ‘low’ annual average increases. In many

respects, this is unsurprising given the topographical nature of the Wellington region, where the Wellington CBD will most likely see more high-rise apartment construction, while Kapiti has a larger abundance of land suitable for housing construction. Therefore, given Wellington is one of the five largest populated areas, optimal road linkages for the greater Wellington area are required to minimise travel time and allow for free-flowing traffic.

Summary

To summarise, BusinessNZ supports the proposal. However, we urge continued emphasis on quality analysis and evidence to ensure that proposed government-led infrastructure projects provide for significant economic growth.

We thank you for the opportunity to comment, and look forward to seeing the application being progressed in full.

Regards,

A handwritten signature in black ink, appearing to read 'Phil O'Reilly', with a stylized, flowing script.

Phil O'Reilly
Chief Executive
Business New Zealand