

## **Future fund for infrastructure better option than road/rail trade off but user pays infrastructure should be added to the mix**

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"Using the proceeds from the partial sell down of existing state assets to invest in services that will yield a social and economic return for the nation is preferable to trading off critical infrastructure projects such as the Northland-oriented Puhoi to Wellsford accessway and the Auckland central rail link." says NZCID CEO Stephen Selwood.

"Investment in infrastructure always comes at a cost, but is central to lifting New Zealand's long term social, environmental and economic performance.

"Poor infrastructure is consistently ranked by the World Economic Forum as the single most problematic issue holding back the country's global competitiveness.

"This means that we have to find new ways to fund needed investment in infrastructure such as schools, hospitals and both road and rail networks.

"Asset sales is one option. Where the social and economic benefits exceed the cost it makes sense to sell assets than to defer investment.

"But direct pricing for road use and water consumption is another more direct funding mechanism that has not been fully explored.

"Reliance on taxes and local authority rates to fund infrastructure investment is inefficient because it provides very little incentive to manage demand. On the other hand, direct user charges for such things as water and road use generates a revenue flow to support timely investment and sends a clear signal to users to manage their demand more carefully.

"A low level toll on Auckland's motorway system - say \$3 at peak, \$2 on the shoulder and just a dollar off peak - would not only raise sufficient funding to allow both the Puhoi to Wellsford and Auckland rail link projects to proceed along with many other important transport investments, but the variable pricing would also allow much better use of the existing motorway system by encouraging people to use public transport, go another way, choose another time to travel or share costs through car pooling.

"Similarly, councils that have elected to charge for water use have seen demand drop, enabling them to defer investment in new plants and other infrastructure that would otherwise have been needed. At the same time, the direct user charge provides a revenue stream to support investment when it is needed

"Investment in infrastructure is central to lifting the quality of life in New Zealand. Using direct user charges to help fund that investment is the next step in ensuring timely investment is made when it is needed," Selwood says.

