

User Pays & PPPs Top Funding Options For NZ Infrastructure

Media Statement

26 April 2011

New research shows New Zealanders would prefer new infrastructure to be paid for through user pays and public-private partnerships (PPPs).

Support was low for government borrowing or raising taxes to pay for new infrastructure, research conducted for the New Zealand Council of Infrastructure (NZCID) shows.

The research, conducted by GA Research and strategic communications firm Kreab Gavin Anderson, will be presented at this week's NZCID conference on PPPs in Wellington. The research involved focus groups in urban and regional New Zealand and a quantitative telephone survey of 500 people from across the country.

NZCID Chief Executive Officer Stephen Selwood said the research had found that most of those surveyed believed that central and local government could not afford to pay for all the community's infrastructure needs.

"The objective of this research was to understand how people thought we should finance essential new infrastructure - this has been a subject of recent debate and we wanted to understand what funding methods were supported.

"While many of the survey participants had not actively considered this issue previously, once the various options had been explained to them they showed a clear preference for targeted funding methods over blunt instruments such as rates or tax increases," Mr Selwood said.

Asked to choose no more than two preferred ways for government and local councils to pay for new infrastructure such as roads, public transport, ports and utilities, some 40 percent of those surveyed selected user-pays models such as tolls on motorways, while 35 percent opted for PPP projects.

Partial sales of publicly owned assets such as power companies, ports or airports was chosen by 18 percent, while only 10 percent supported further public borrowing and just eight percent supported higher taxes to pay for infrastructure.

The research also explored community reaction to a range of funding options proposed for new infrastructure for public transport and roads. These options include road tolls, petrol taxes and increased council rates.

Asked about these options, some 57 percent preferred a \$2 toll on specific motorways and highways. Only nine percent favoured a regional petrol tax, while four percent supported a 20 percent increase in council rates.

The research also found that a significant number of people (24 percent) believed government should be wary of proceeding with projects it did not have the money for.

Kreab Gavin Anderson Partner and infrastructure specialist Jodie Brough said the focus groups revealed more about the reasons for community attitudes, with concerns about debt, the rising cost of living and the lingering effects of the global financial crisis featuring in respondents' comments about infrastructure funding.

"People's minds are very much on the basics at the moment but there is still an appetite for better infrastructure - around one in three respondents said existing roads, rail and other infrastructure across the country was only meeting the needs of some people," she said.

"This suggests that as confidence in the economy improves, demand for funding solutions will increase. The research indicates that user pays and PPPs remain firmly preferred to broad-based taxes and charges unless powerful arguments can be mounted to persuade the community otherwise."