

Enabling and Funding Housing Growth in New Zealand

Stuart Donovan

13 February 2025

Outline

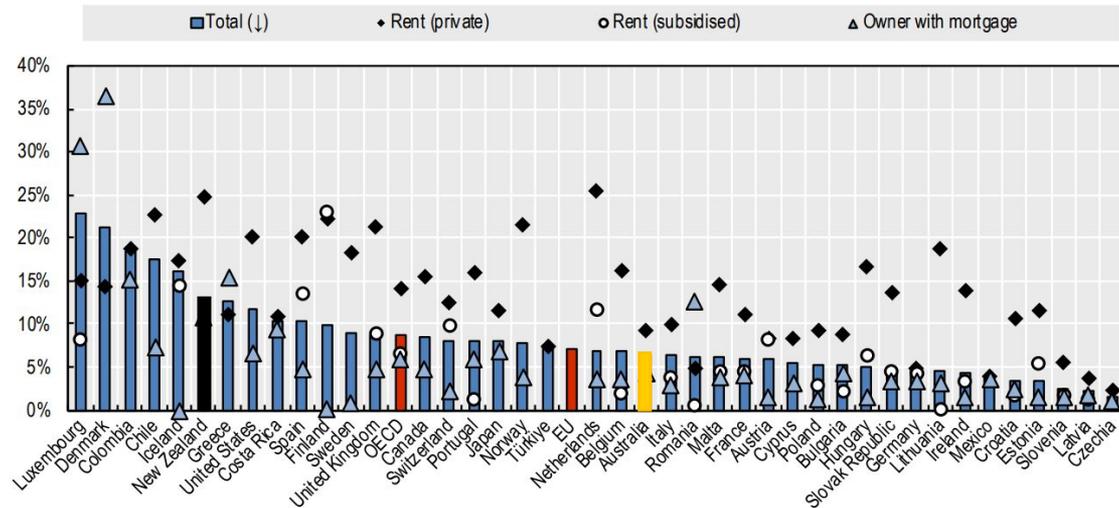
- Housing
- Infrastructure
- Transport



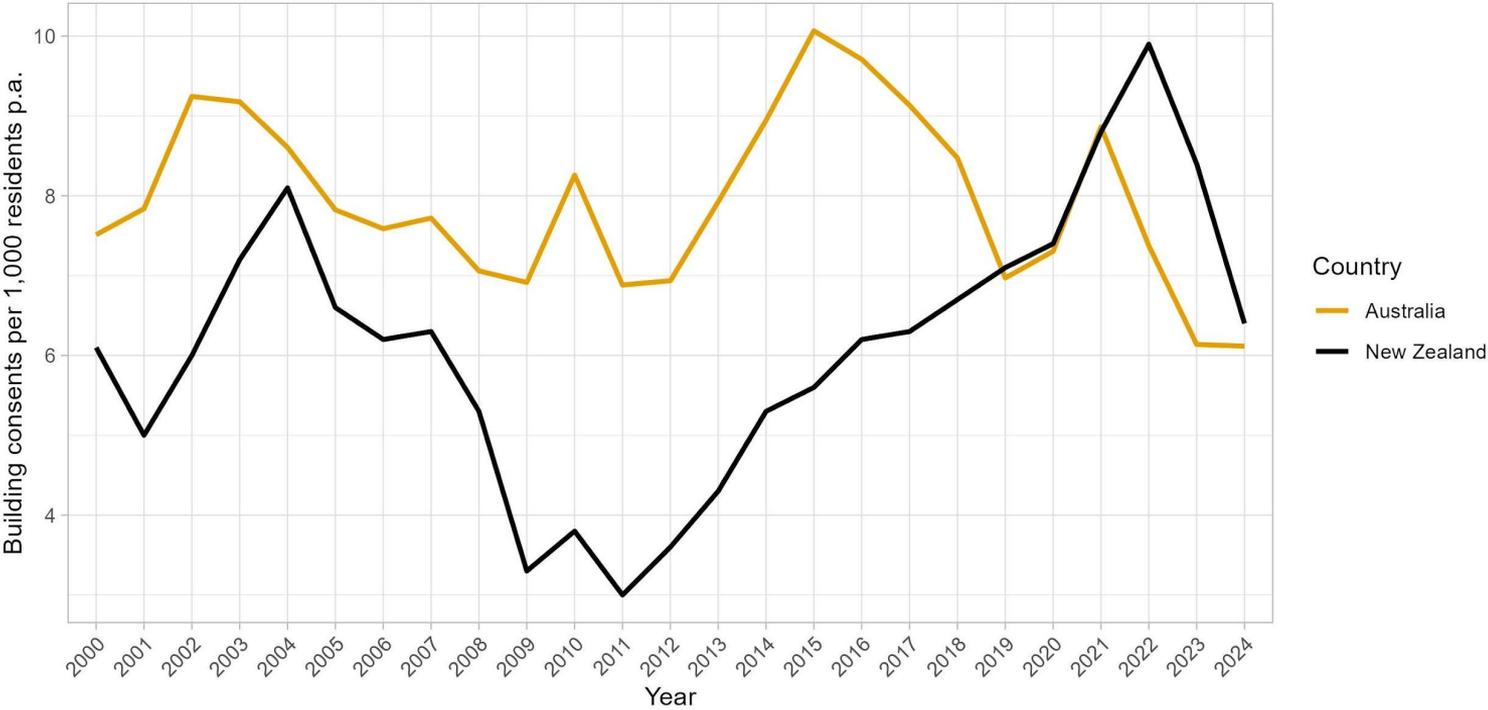
Housing

Housing scarcity creates insurmountable problems

B. Share of population spending more than 40% of disposable income on mortgage and rent, by tenure, in percent, 2022 or latest year ^{1,2,3,4,5}

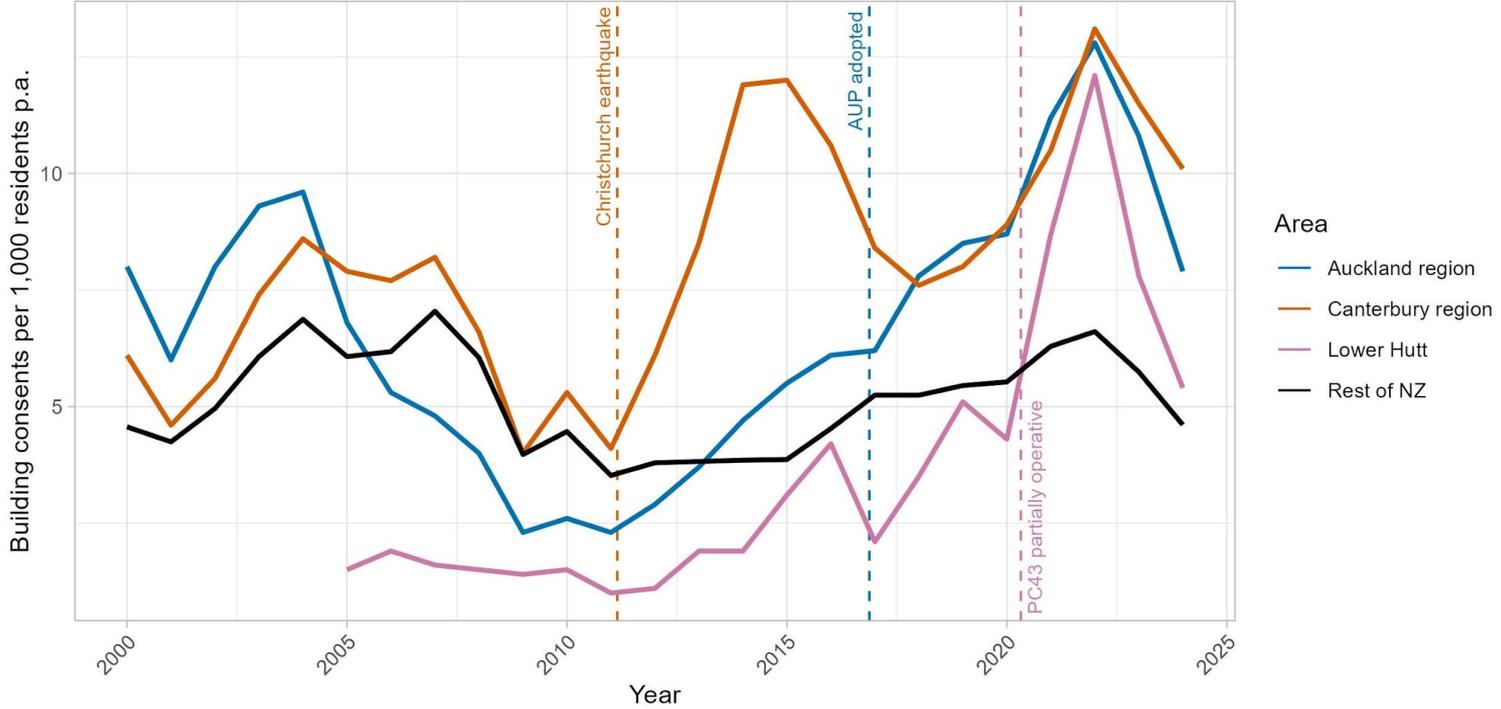


New Zealand has started to build more houses



Source: Author's calculations using data from the ABS and Stats NZ

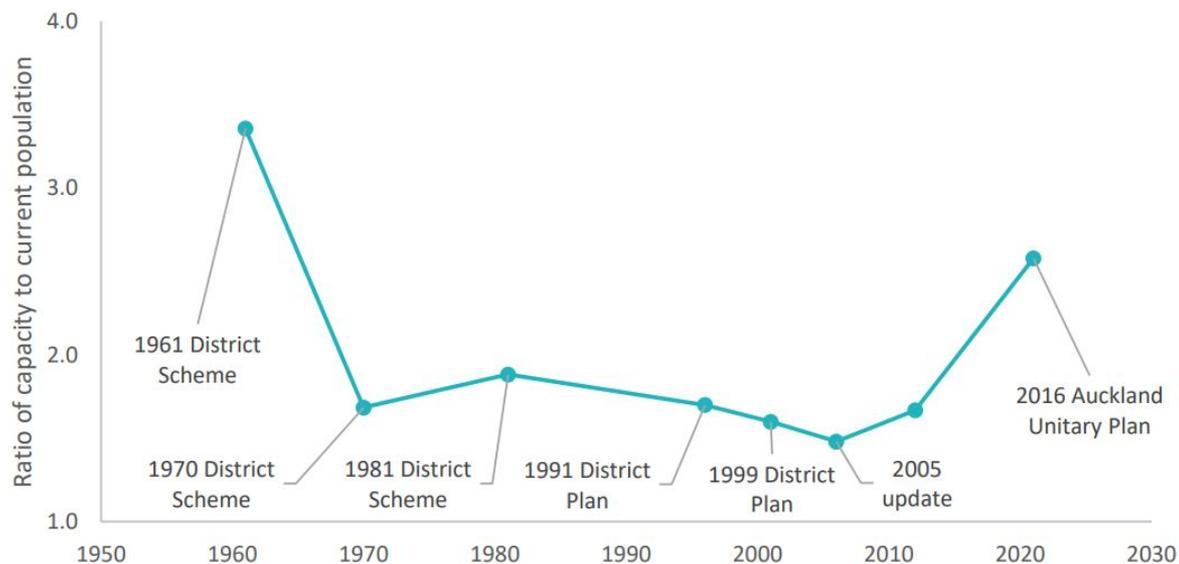
But our successes are too few and far between



Source: Author's calculations using data from Stats NZ

And even our “successes” are too modest

Figure 2: Ratio of estimated zoning capacity to current population in central Auckland



Source: Te Waihangā analysis

Ongoing reforms are still needed

Policy reforms like NPS-UD, MDRS (RIP), and Going for Housing Growth (“GfHG”) have sought to build on these successes. GfHG combines three workstreams, or “pillars”:

1. Freeing up land for urban development, including removing unnecessary planning barriers

2. Improving infrastructure funding and financing to support urban growth

3. Providing incentives for communities and councils to support growth

Government has also proposed to:

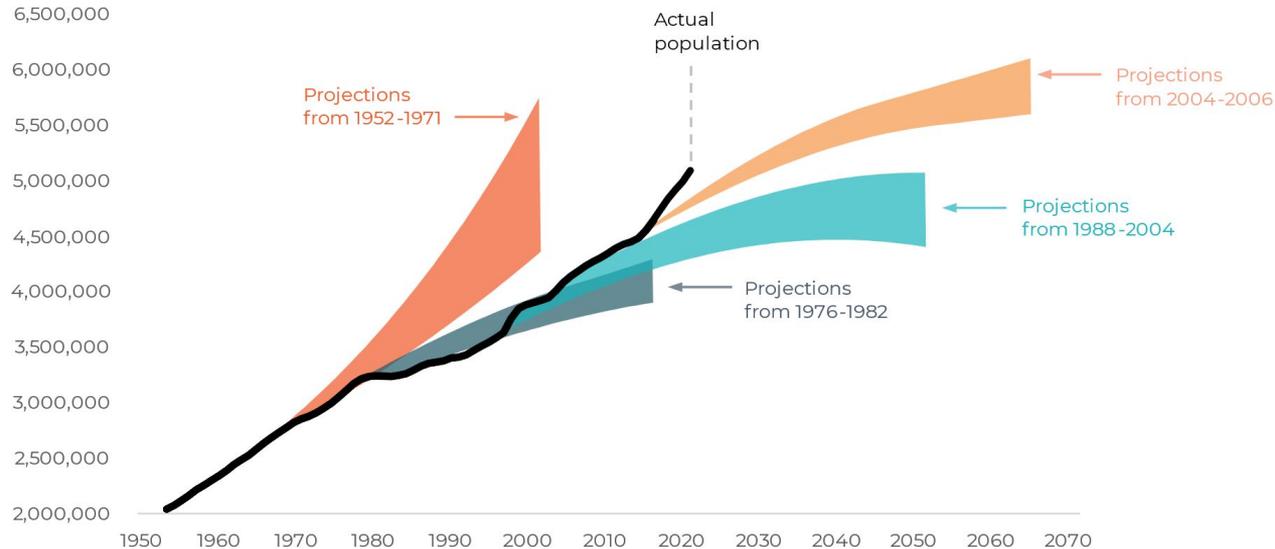
- *Make it easier to build “accessory dwelling units” (ADUs), e.g. remove need for consents*
- *Centralise building consent processes, e.g. more standardisation and risk-pooling*

In addition, I’d welcome reforms that sought to reduce the costs of building materials. e.g. remove barriers to entry for new suppliers / products.

Infrastructure

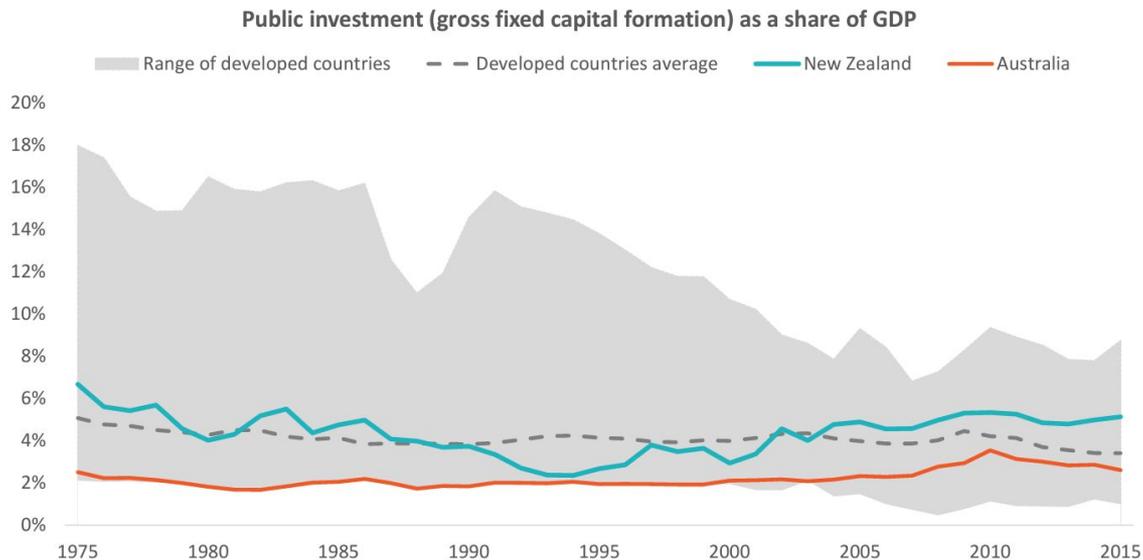
Population growth has surprised on the upside

Historical population – actual vs. projections



We spend quite a lot on infrastructure

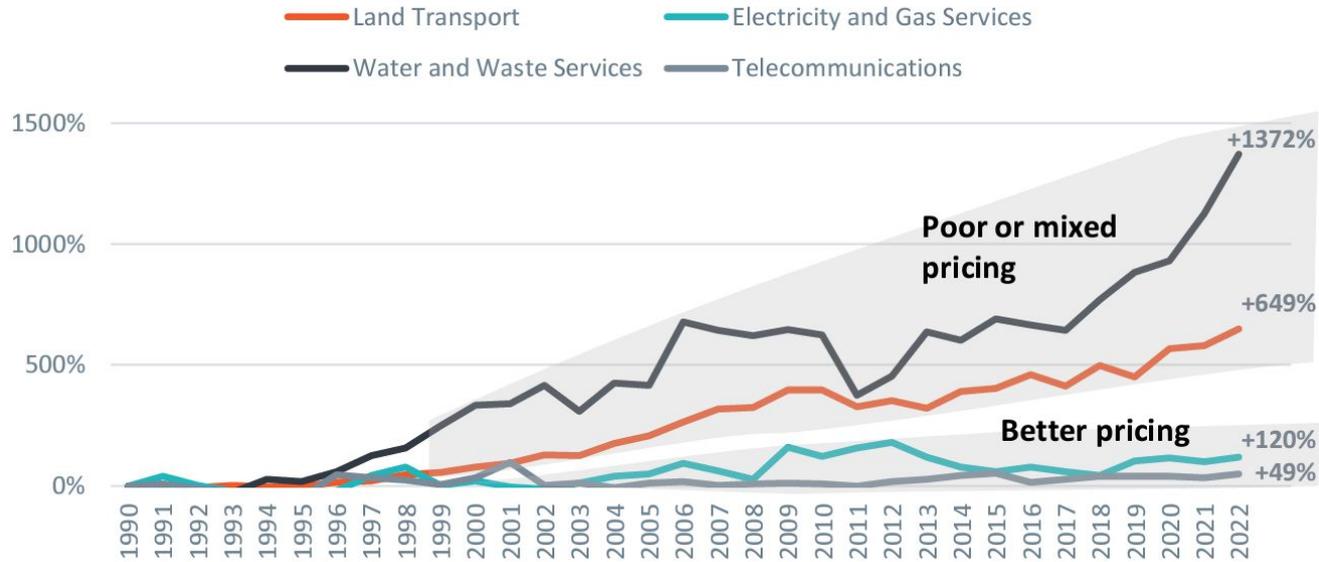
Figure 6: Public investment trends in New Zealand and other high-income countries, 1980–2019



Source: New Zealand Infrastructure Commission calculations, adapted from Infrastructure Commission (2021a).

Especially water and land transport

Figure 7: Growth in inflation-adjusted capital investment, by infrastructure network



We haven't done water well



Wellington water wastage through leaking pipes | RNZ

Structural reforms in water (“Local water done well”)

Had its first reading on 17 Dec 2024
(submissions close 23 February 2025) and
provides for:

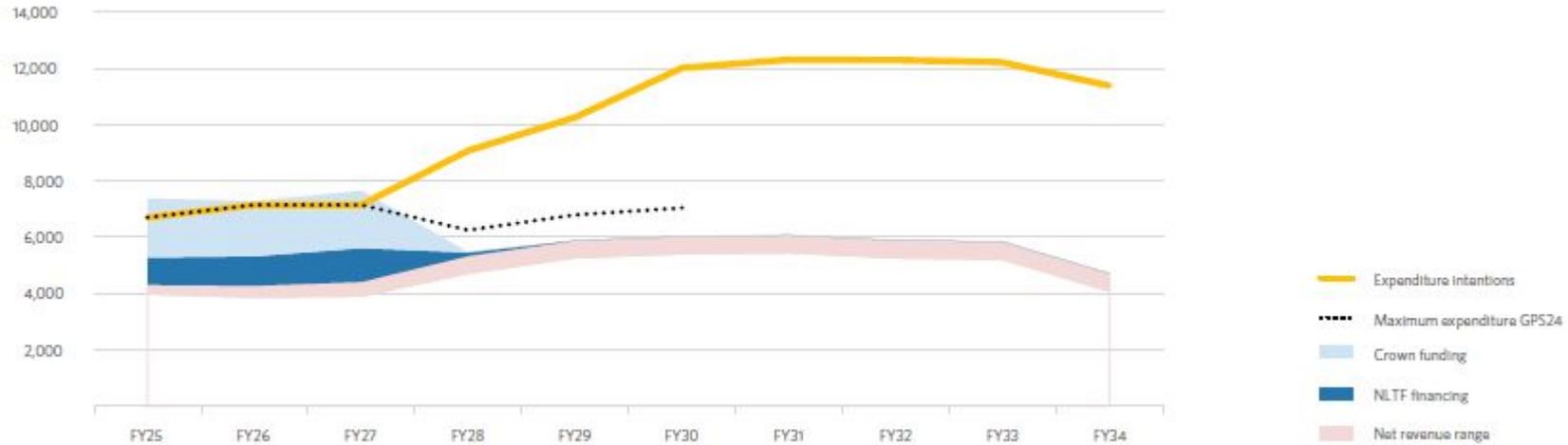
- **Structural arrangements for the water delivery system**, including governance, operations (e.g. charging), and planning / reporting / financial management.
- **An economic regulation and consumer protection regime**, which draws on existing regimes for regulated utilities, namely Part 4 of the Commerce Act.
- **Changes to the water quality regulatory framework**, such as regulatory requirements for drinking water, the application of regulatory powers, changes to Te Mana o te Wai, and standards for



Transport

NZ's transport sector is under huge pressure

“Expenditure intentions” (~\$12b p.a.) are more than twice the expected revenue (~\$6b p.a.).



NZTA: “The latter forecast is indicative only. In practice, investment will need to be prioritised based on the level of available funding and financing, as well as capacity for project delivery.”

Structural reforms are needed

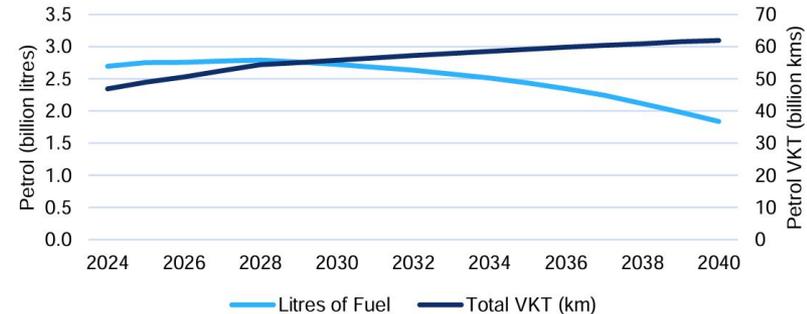
There are strong political incentives to increase transport spending relative to revenues, and few (short term) restraints.

Since the early 2000s, we've been in an ever-spiralling "spending arms race", where Governments of all stripes made increasingly expensive commitments to transport projects, without corresponding increases in revenue from users.

At the same time, revenue from fuel excise duty is gradually being eroded by better fuel efficiency, although this is a slow (and solvable) problem.



Figure 2. Vehicle Kilometres Travelled (VKT) vs. fuel consumption



Possible directions for reform

Some possible directions for structural reforms to New Zealand's transport sector:

- 1. R E T V R N to the funder / provider split of the early 2000s?**
Where the “funder” (Tarmac) evaluates proposals from “providers”?
- 2. Establish two types of providers:**
 - ***National highway operators***, which charges fees for use of SH network that are regulated by the Commerce Commission (a' la Transpower).
 - ***Regional entities***, which manages other assets. Analogous to “local water done well” (nod to Better Transport, Better Roads of 1990s)
- 3. Higher user charges?** E.g. shift fleet to RUC and implement tolls + congestion charges. But this won't save us from poor projects!

Wrapping up

- ***Housing.*** We've made progress, but much work remains to be done.
- ***Infrastructure.*** Very mixed bag? Water and transport have been major drivers of the demand for capital investment.
- ***Transport.*** Sector is broken; needs structural reform; please send help.





Thank you