



08 May 2015
RCA Forum
Wellington

Water and Roads: Funding and Management Challenges

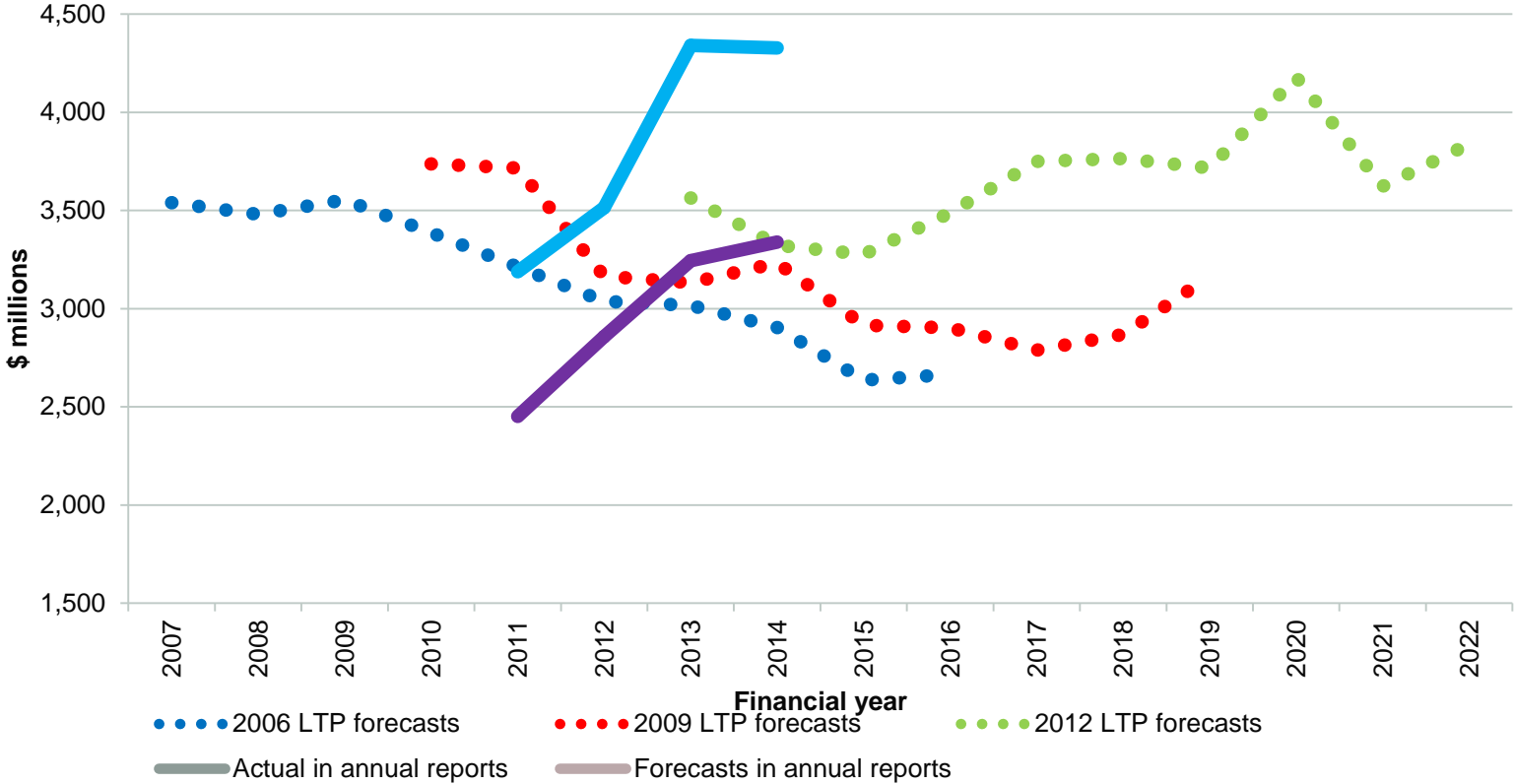
Bruce Robertson Assistant Auditor-General





Financial Results and Forecasts

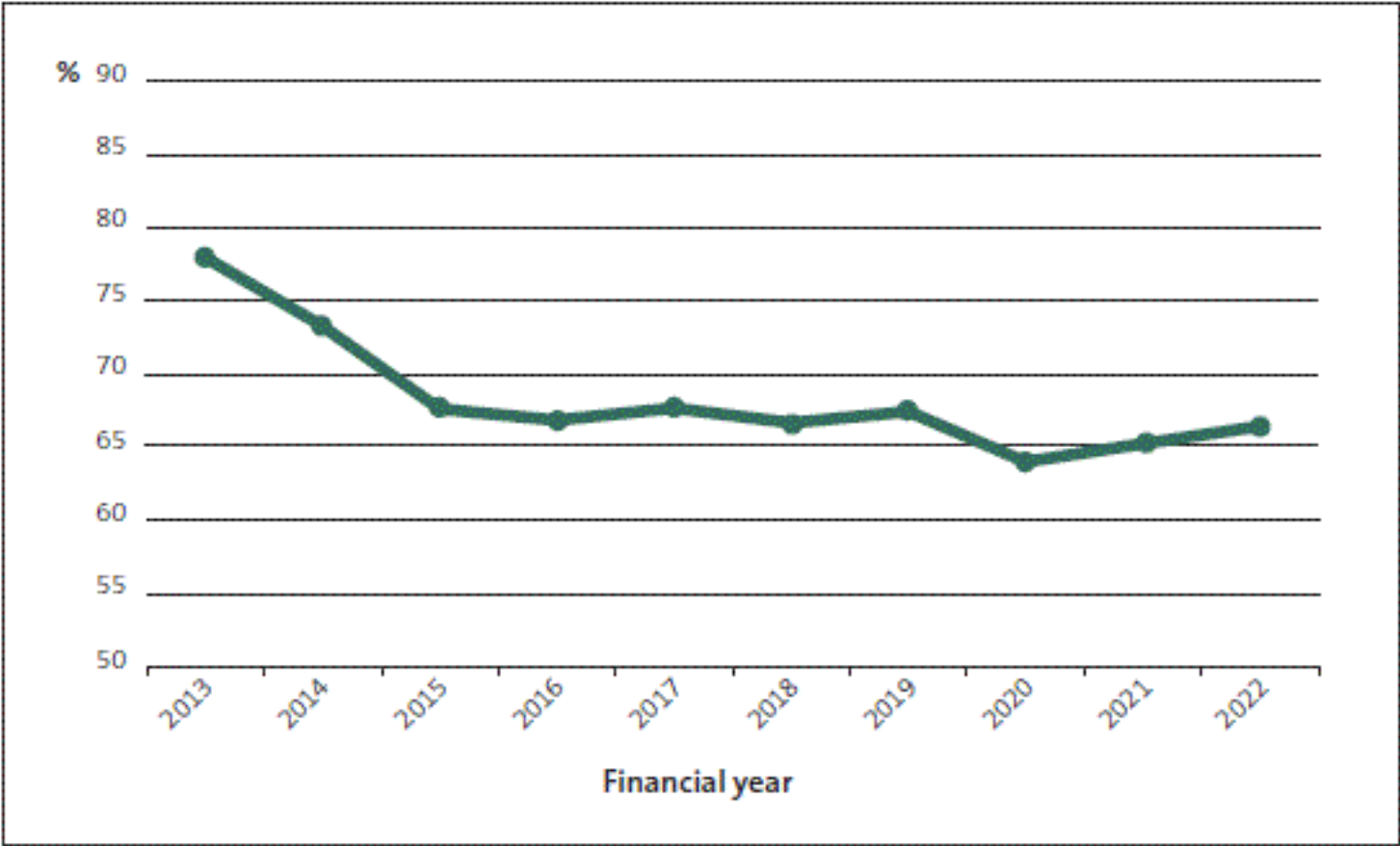
Capital expenditure LTPs 2006, 2009, and 2012, and actual 2010 to 2014





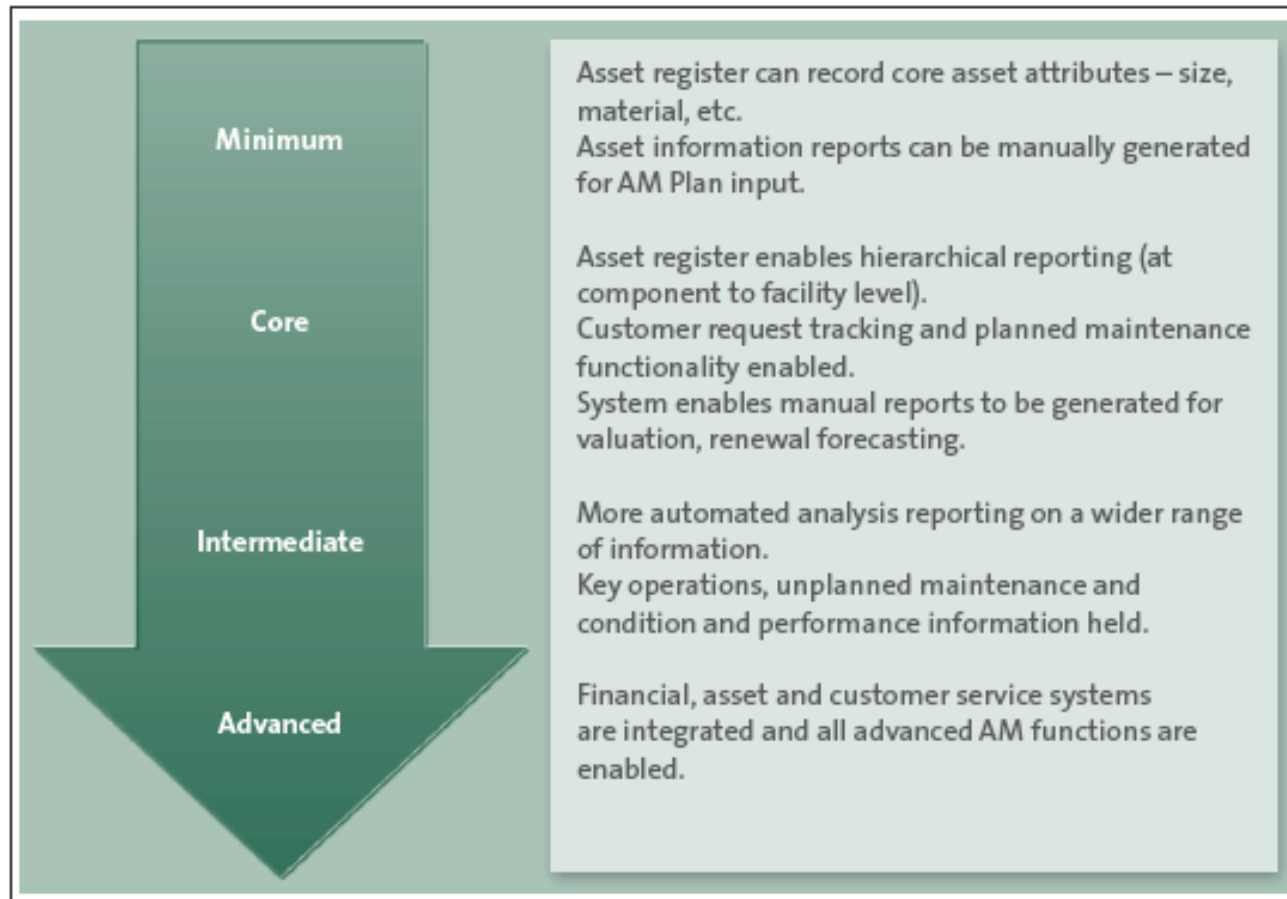
Financial Results and Forecasts

Annual renewals as a percentage of depreciation



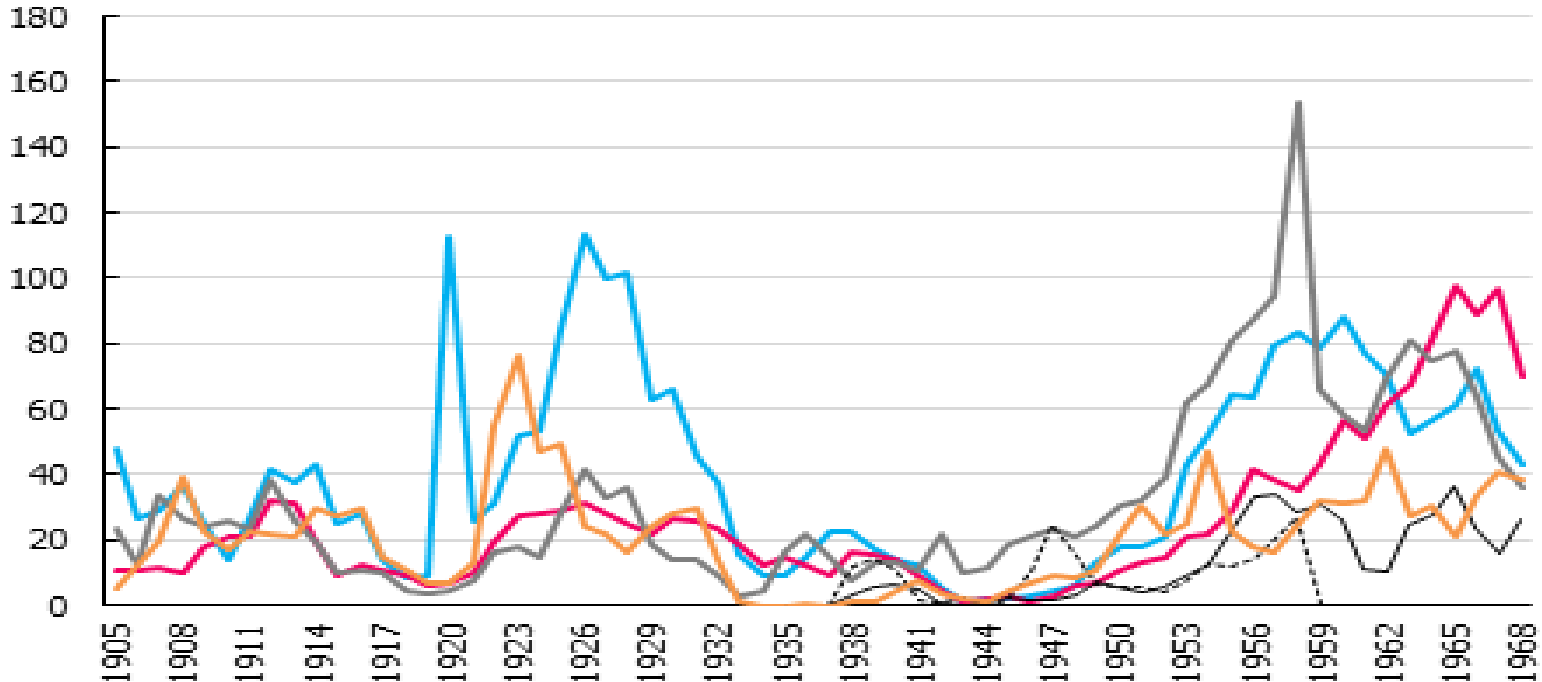


Is practice consistent with theory?





NZIER report – the echoes

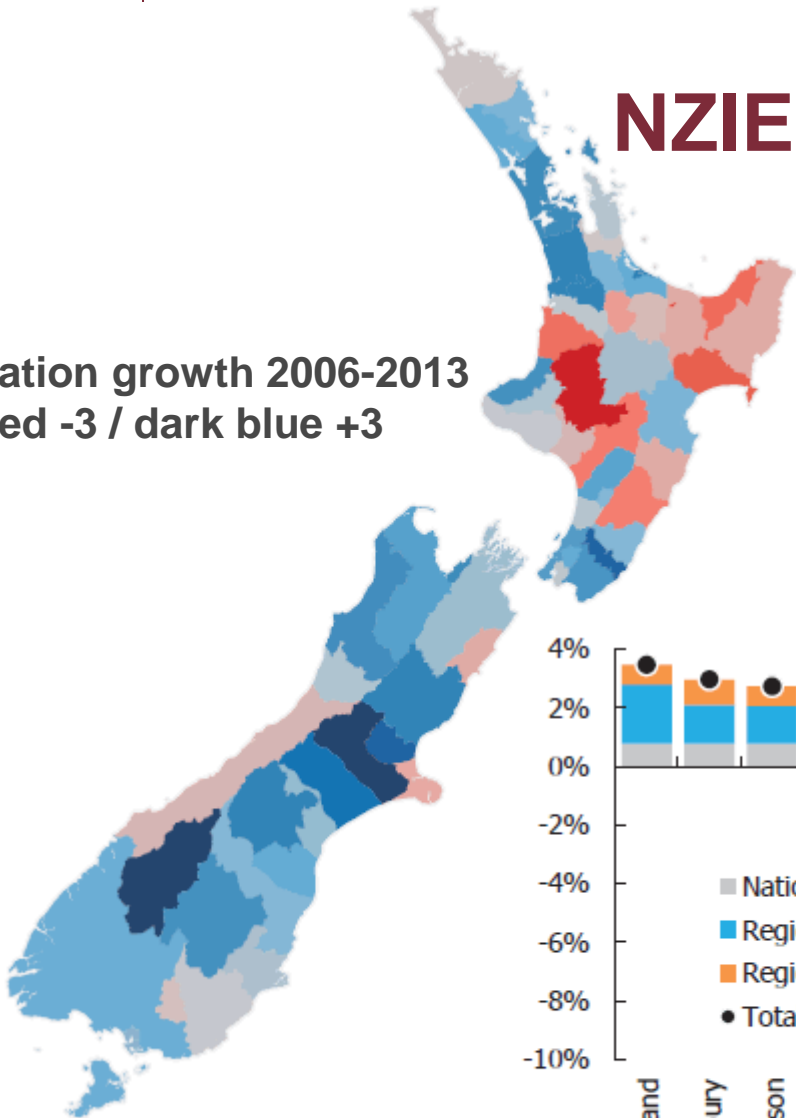


Source: Statistics New Zealand, NZIER

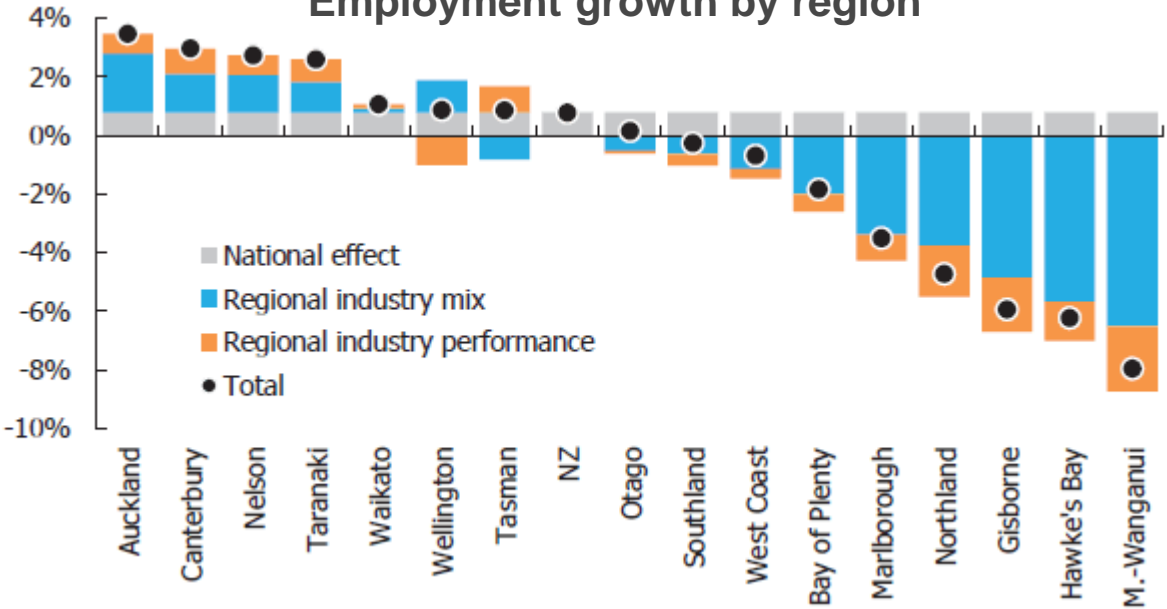


NZIER report – forces of change

Population growth 2006-2013
dark red -3 / dark blue +3

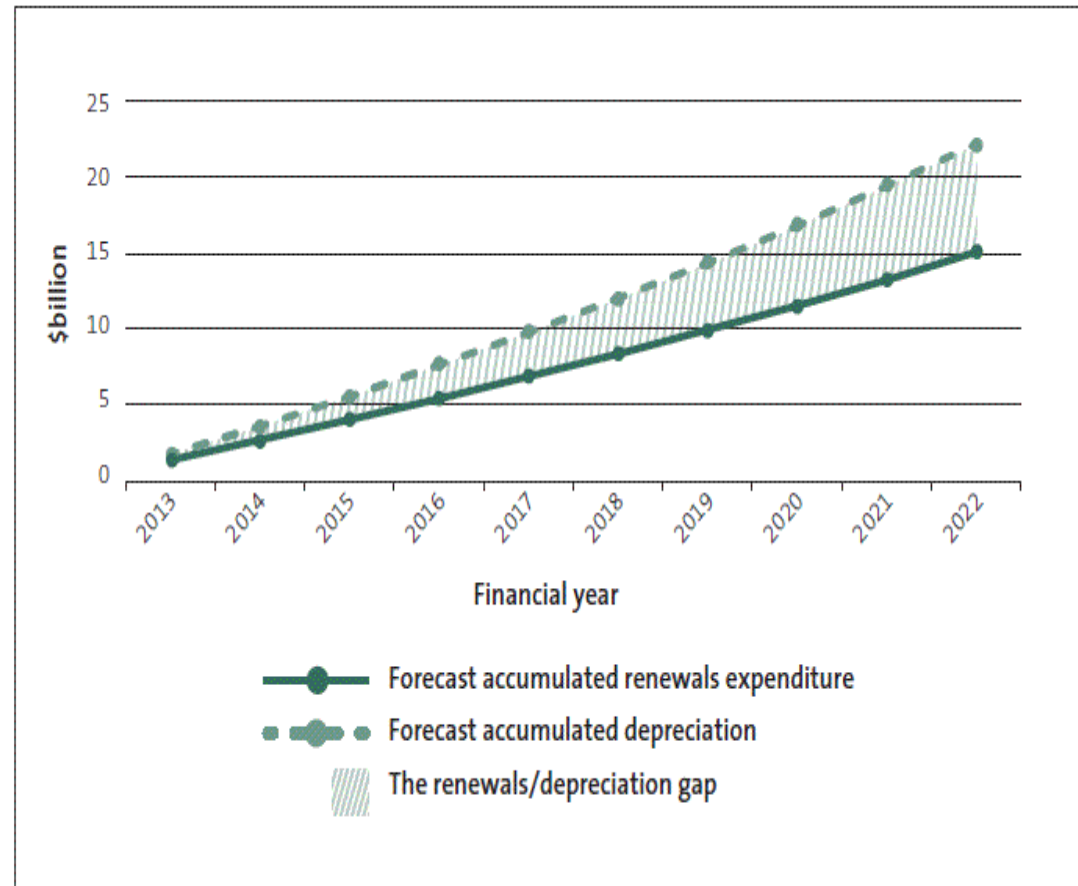


Employment growth by region



The Workshop

- Many factors influence capex achievement
- Lots of questions around \$6-\$7 billion renewals: depreciation gap
- Other assets look to be 'losers'
- Management and information need to improve





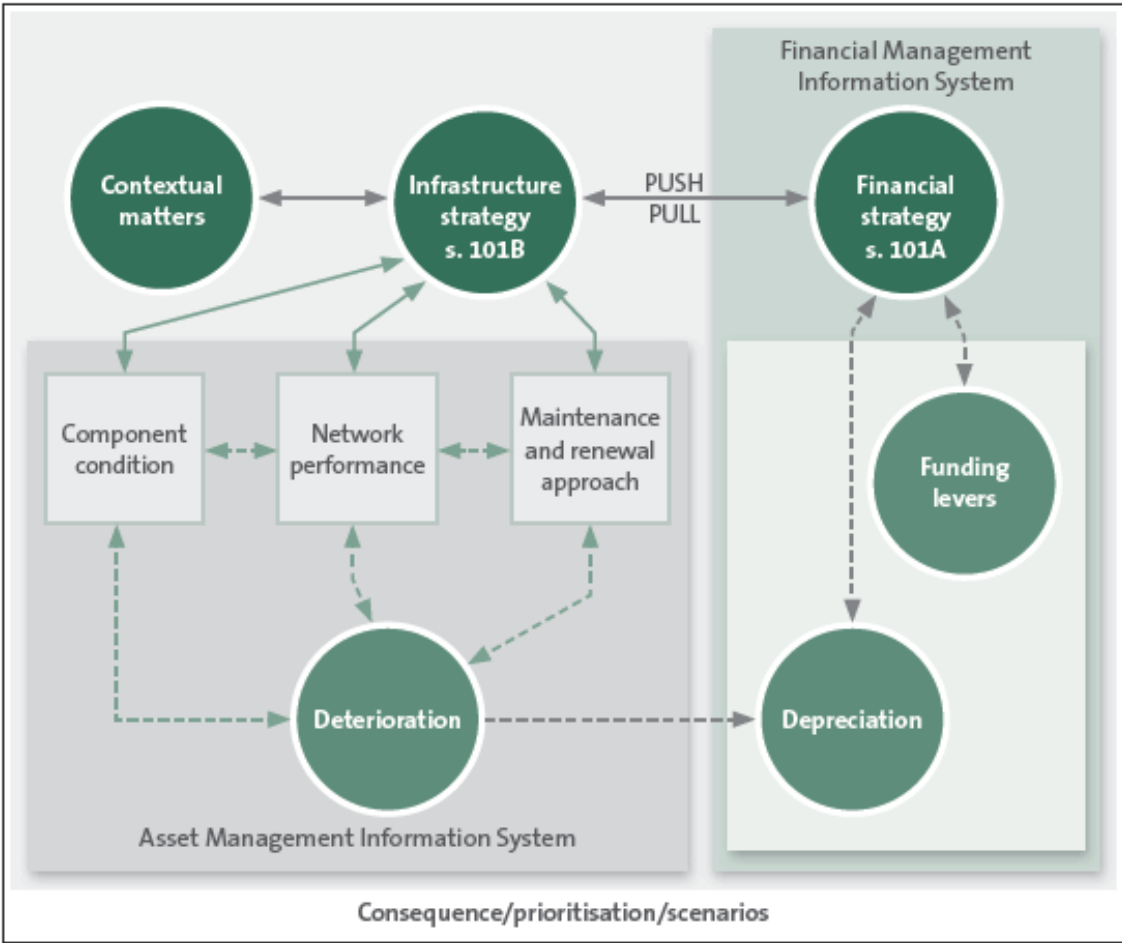
The Workshop

Timing of echoes:

- roading assets could be approaching second or third renewal cycles
- bridges next approaching a renewal cycle in about 2025
- timing for three waters assets is difficult to predict, because of "run-to-fail" approaches - likely to occur during 2040 to 2060
- avoiding cost – the “just in time” fallacy
- lowering the whole of life cost of asset based services

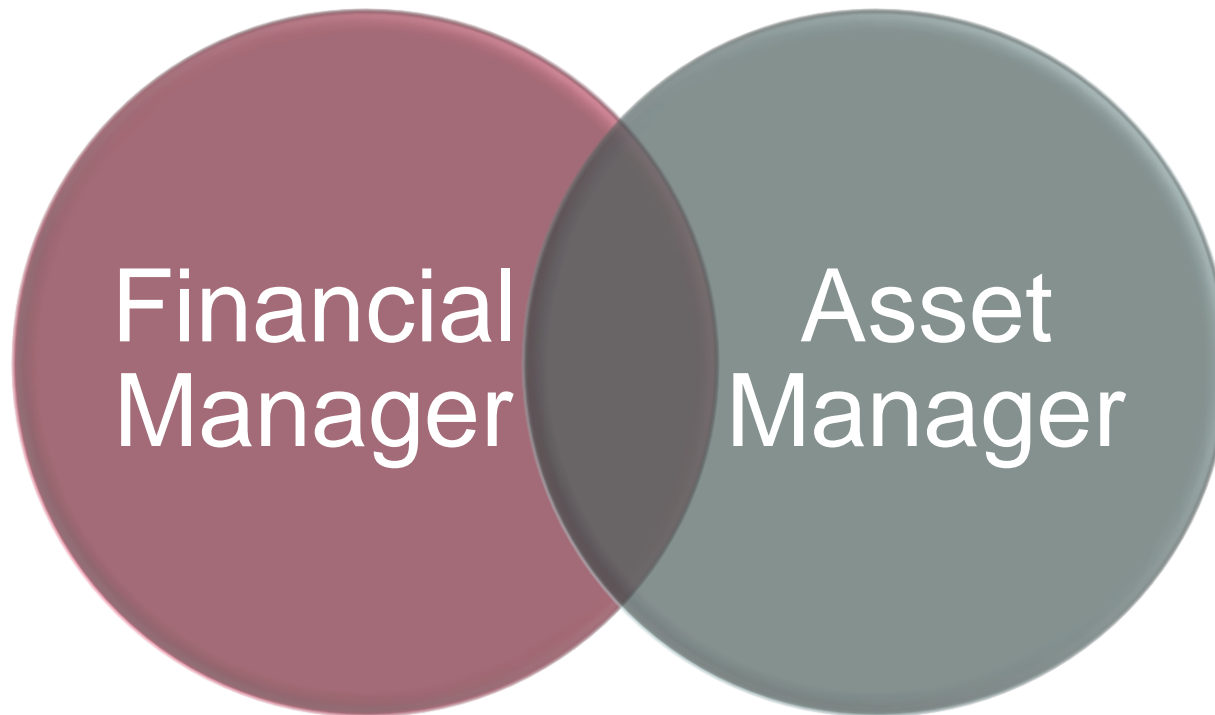


Infrastructure Strategy - chance to step-up





“Joined at the Hip”





Stepping up to meet challenges ahead

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- **It matters** where people choose to live and work – understand the local economy to plan for the future
- Infrastructure development waves create **investment** echoes – be prepared to manage renewal cycles
- Local government is strongly **affected by mandate and central government funding** – arrangements appear to have an impact
- Current financial approaches make better integrated information essential – **use information to manage** infrastructure funding effectively and efficiently
- Changes are **emphasising long-term asset planning** – front up on choices and the long term consequences