

NZRA Presentation The World is Changing

29th July 2014



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The World is Changing....



'World is changing, you can feel it in the water, you can feel it in the air' is a classic line from the Lord of the Rings movies

Demographic and Fiscal Constraints

Some Challenges Coming Up



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Central Government: Efficiency, Effectiveness and Value for Money

: Expenditure Priority Tensions (Projections from Treasury Historic Trends Approach)

| Expenditure Area | 2011 - %GDP | 2030 - %GDP | 2050 - %GDP |
|-----------------------------|-------------|-------------|-------------|
| Debt Projections | 21.8% | 79.5% | 223% |
| Debt Servicing | 1.6% | 4.8% | 12.7% |
| Superannuation | 4.7% | 6.7% | 8% |
| Education | 6.4% | 5.5% | 5.4% |
| Health | 7.6% | 8.5% | 10.7% |
| Total S+E+H | 18.7% | 20.7% | 24.1% |
| Difference 2010 | | +5% | +10% |
| Infrastructure (approx.) | 7% | ? 5% | ? 3.5% |

Information Source: NZ Long Term Fiscal Statement, Oct 2009, Treasury

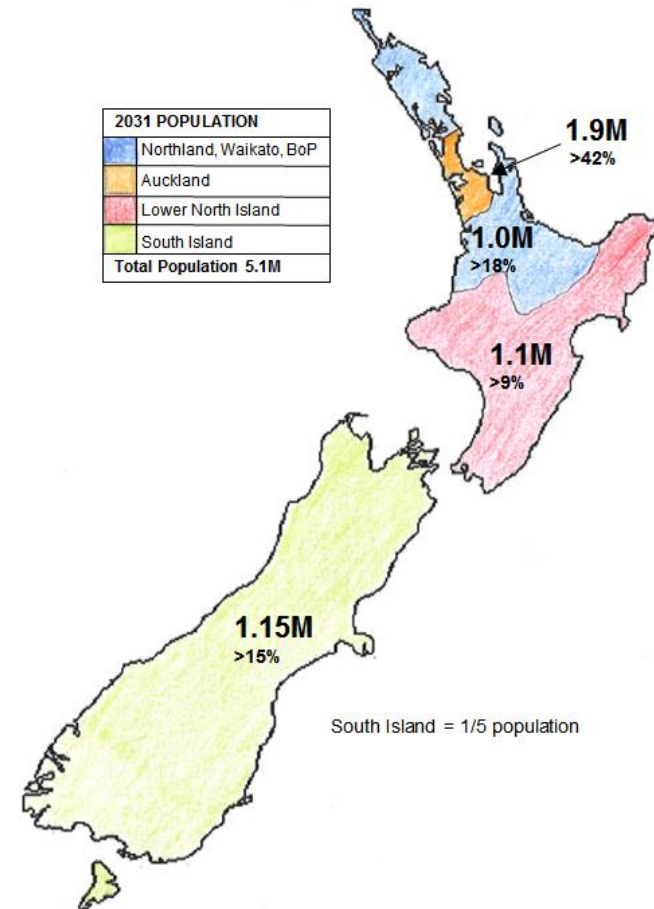
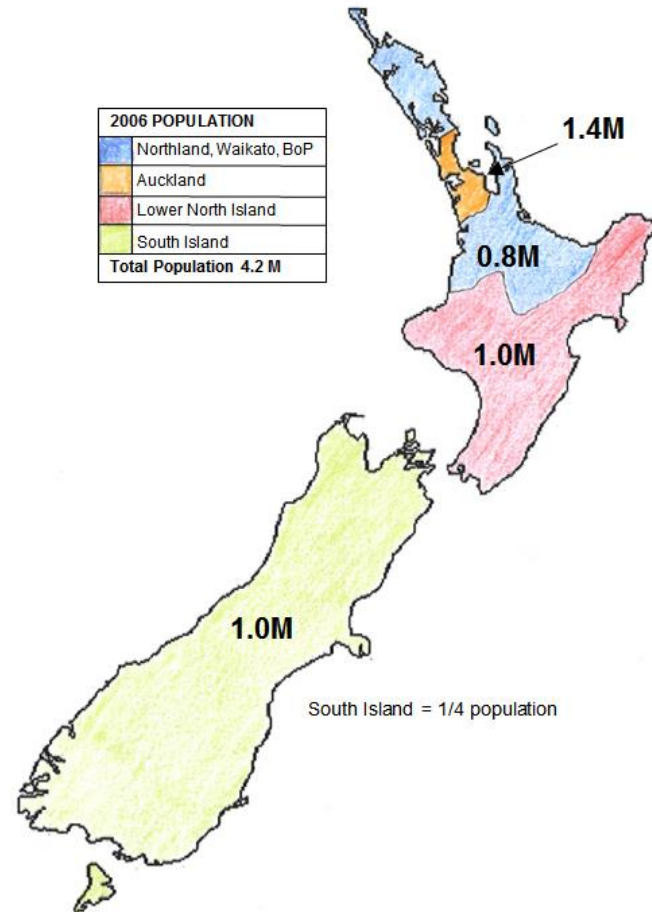
Council Debt reaching limits

| Average Debt per Ratepayer | | | | | |
|---|-------|-------|-------|-------|-------|
| Group | 2008 | 2009 | 2010 | 2011 | 2012 |
| Metro Group | 5,172 | 6,507 | 7,407 | 8,477 | 9,273 |
| City Group | 3,976 | 1,413 | 4,605 | 4,758 | 5,173 |
| Prov/Rural Group | 2,338 | 2,772 | 3,174 | 3,430 | 3,811 |
| Rural Group | 1,873 | 2,124 | 2,136 | 2,430 | 2,475 |
| Total of all Groups | 2,642 | 3,055 | 3,391 | 3,706 | 4,026 |
| Total of all Groups (including Auckland) | 2,681 | 3,112 | 3,441 | 3,834 | 4,176 |

- 2002 \$1500 acceptable debt, \$3000 max
- Inflation adjust \$2000 acceptable, \$3900 max
- Current Average Debt \$4000 but interest rates are lower – for now. Metro/City higher debt
- Councils fund – rates, debt, development contributions. Pressure on all 3

Source: Larry Mitchell Local Government League Table
Date: March 2013

New Zealand Population, Demographics



Source: National Infrastructure Plan
Date: 2011

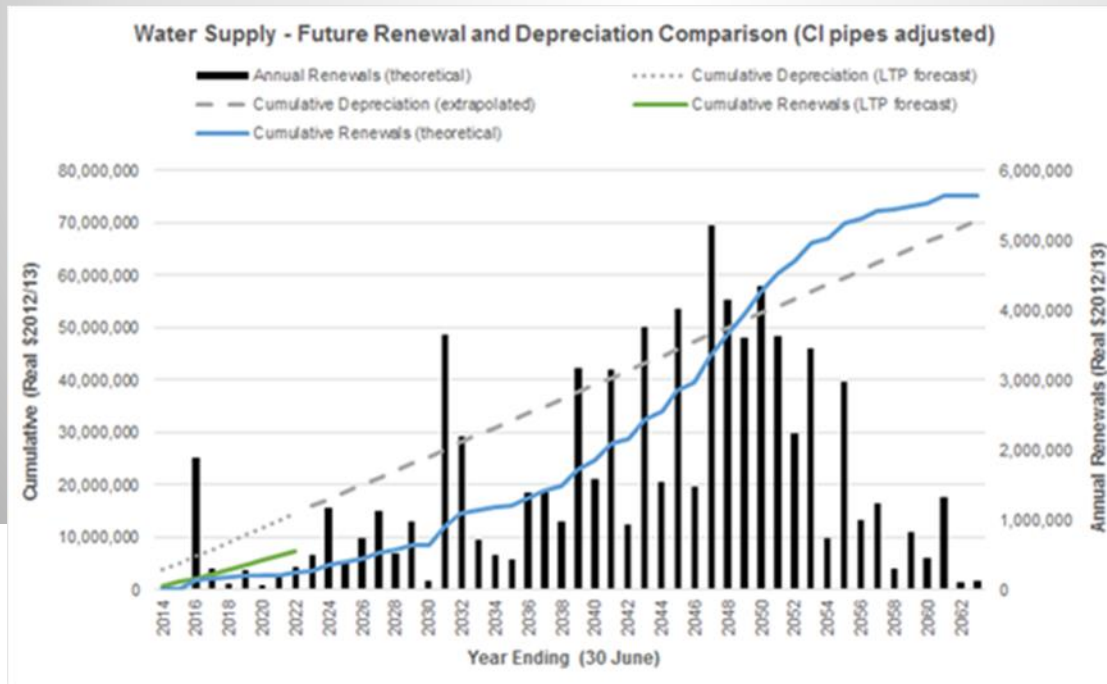
Rural to Urban Changes / Challenges

- “Zombie Towns”
- Any Growth – 65+ pop. (N. Jackson)
- Different services – less than 5,000 pop?
- 50,000 workers needed in rural areas (Federated Farmers June 2014)
- Who is going to do the work?
- Integration of immigrants into rural / provincial NZ

| Number Towns | Population (2006 Census) |
|--------------|--------------------------|
| 6 | 90,000 and above |
| 68 | 10,000 – 90,000 |
| 38 | 5,000 – 10,000 |
| 551 | Less than 5,000 |

Road Funding, Utilities Peak 2030-50

- Utilities replacement peak 2030-2050
- Real reduction in road funding outside Auckland-Hamilton-Tauranga
- Real long term pressure on community asset funding, particularly smaller towns



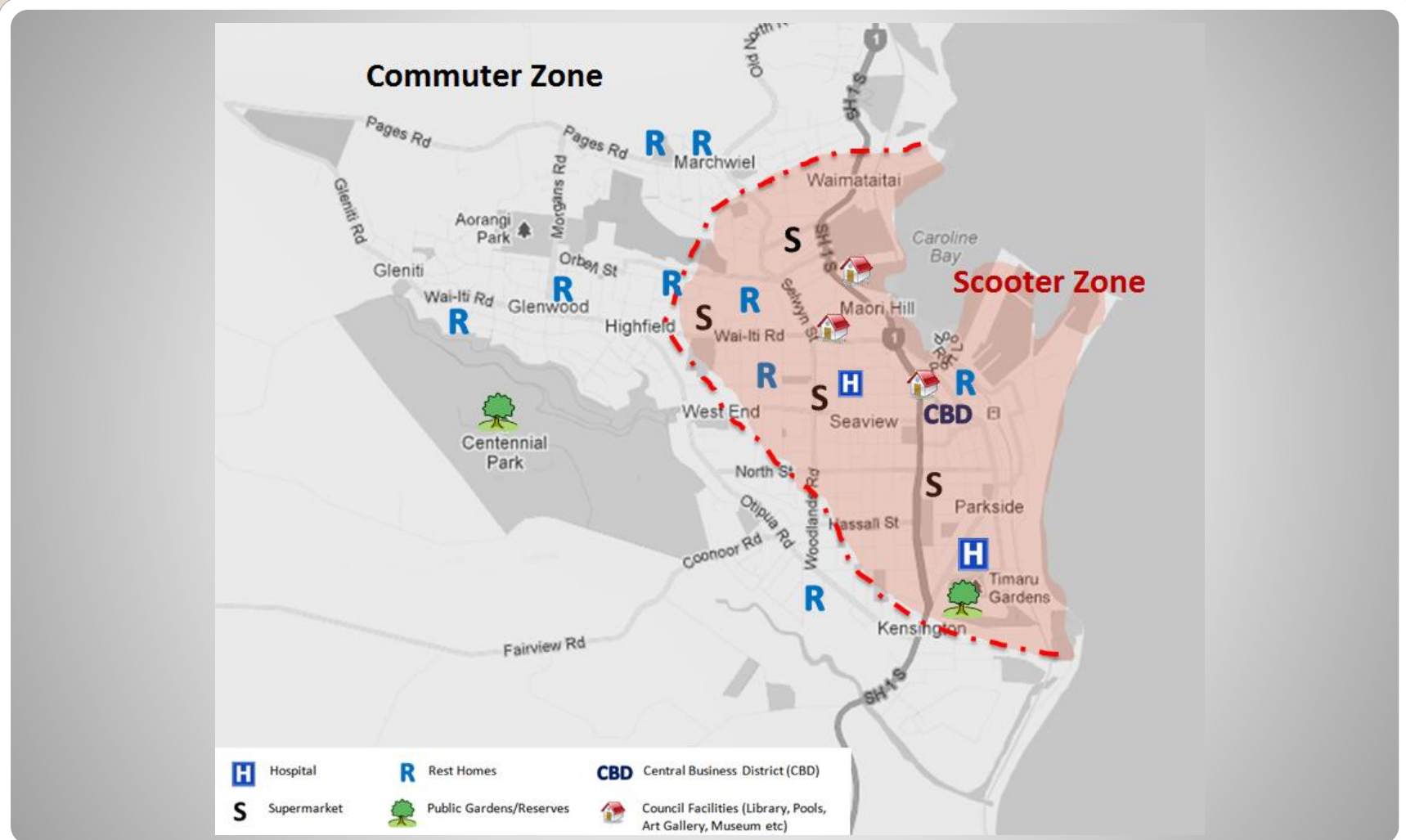
Future Implications

Many Challenges, Many Changes



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Timaru Zones of the Future



Source: Waugh Infrastructure Management

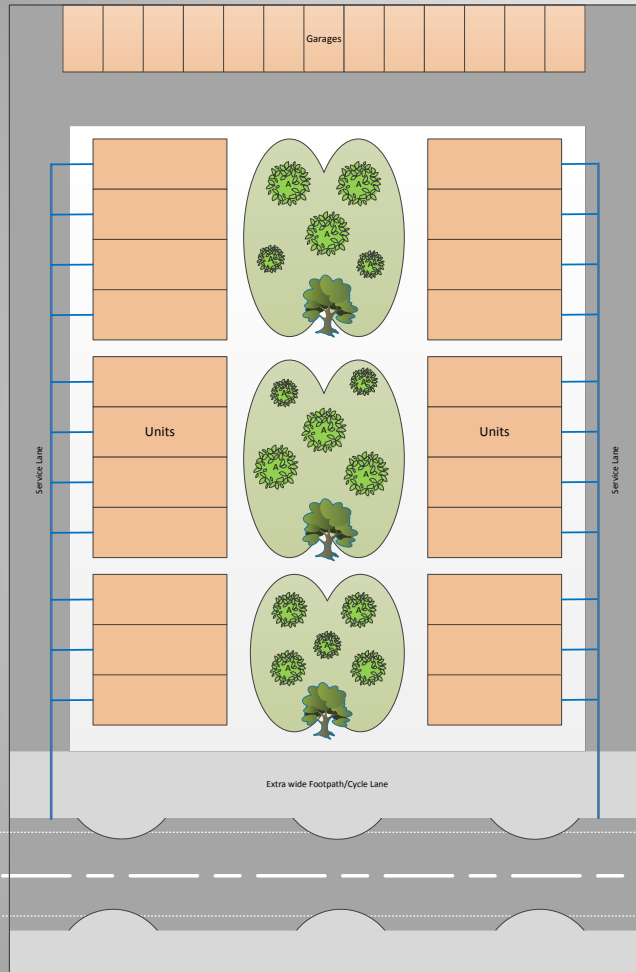
Date: March 2013

Medium Density Units not Villas



Source: Waugh Infrastructure Management
Date: March 2013

New Development Layouts?



- Multiple Units per site
- Central common green
- Rear narrow service lanes
- Garaging / Storage
- Less cars, smaller cars
- More scooters
- More bicycles, cycle lane
- Wider footpath
- Traffic calming, narrower carriageway
- More public transport
- 2nd tier rental for market

Source: Waugh Infrastructure Management
Date: March 2013

Jatkasaari, Helsinki – Urban Life by the Open Sea

- Construction 2009-2025, 100ha, 19.8ha parks
- 16,000 residents, 6,000 jobs, 1.5km from city centre
- Waste - Automated Vacuum Collection



Urban Spaces, Helsinki



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Urban Spaces, Copenhagen



Example of Issues, Detroit



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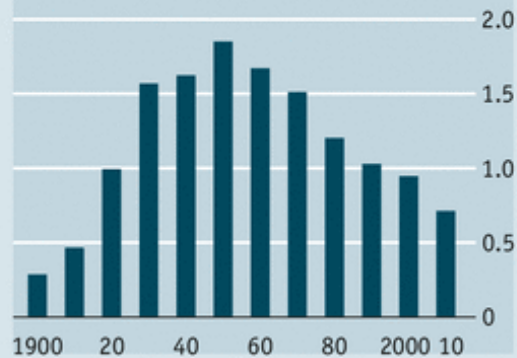
Detroit – Decades of Decline, Bankruptcy

Motown slowdown

Detroit city



Population, m



Sources: Bureau of Labour Statistics; Census Bureau



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Demand Forecasting



- Rapidly Declining Cities
- Rapid changes in demand

Cleveland, OH
#1

Detroit, MI #2,
2014

Detroit, The Mower Gang

- Mower Gang Video



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Detroit (1 year later) - Hope

- Seek the involvement from non-government actors – civic, business and philanthropic
- Be aware of the power of network effects in building a consensus (and releasing / mobilising) for action, investment, and change.
- City - fixing the basics
- City - alternatives for funding



NZ Example – CBay, Timaru

- Good example - \$23M, \$7M Community raised, \$16M Council



More Demand for Parks/Property Services



- Changing urban forms – different assets
- More demand for recreational assets
- More use of volunteers
- How to fund in a constrained environment?

The Future

- Affordability
- Sustainability
- Network effects
- Liveability



Resources

- Prof Natalie Jackson – demographics
- Fairfax – Council Debt
- Treasury – Fiscal Projections
- OAG, DIA - Sector financial comparisons
- www.waughinfrrastructure.com
- www.inframanager.com



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