



## Investing in New Zealand

PRESS RELEASE

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### Key Budget initiatives:

- **Establishing New Zealand's first ever long-term infrastructure plan**
- **Largest ever ten-year school property programme: \$1.2 billion allocated**
- **Multi-year \$1.7 billion investment to fix our hospitals and invest in new mental health and addiction facilities**
- **Full funding for new Dunedin Hospital build**
- **Strong investments in critical public services, with \$2.9 billion for DHBs**
- **Investment in transitional housing**

Budget 2019 allocates \$10.4 billion of the four-year capital allowance. This includes record investment in a 10-year school property modernisation programme, an investment plan to fix our hospitals and mental health facilities, and investments in KiwiRail and the Provincial Growth Fund.

Due to the urgent need for capital investment the Government has increased the rolling four-year capital allowance announced in December 2018 by \$1.7 billion to \$14.8 billion, while remaining within the Budget Responsibility Rules.

"These investments will provide certainty to businesses, particularly in the construction sector, that we are investing in and stimulating the economy. The extra investments in Budget 2019 will help underpin growth and help us stay ahead of the economic headwinds we are seeing globally," Finance Minister Grant Robertson says.

"The Coalition Government inherited an infrastructure deficit after years of underinvestment. We started closing that through Budget 2018, but always acknowledged there was more to do.

"Through responsible fiscal management, we are in a position to make greater capital commitments. Better infrastructure planning sees us setting out a comprehensive investment programme."

Budget 2019 is the first time the Government has used a multi-year allowance for capital investments. The approach moves away from the long-standing single-year allowance. It means the Government can better signal the pipeline of work and the scale of investments it intends to make over several years.

"This certainty means the construction sector can plan ahead and invest in their workforces," Infrastructure Minister Shane Jones says.

These plans build on the long-term investments the Coalition Government has already committed to, including a record 10-year investment plan for roads, rail and public transport signalled in the 2018 Government Policy Statement on Land Transport. Over the next four years, \$17.7 billion will be invested in transport infrastructure by the National Land Transport Fund.

At the same time as increasing capital investment, our responsible fiscal management means we are in a position to increase funding for the operations of critical public services that New Zealanders rely on, like hospitals and schools, to cover population growth and cost increases.

## **Ten-year plan largest ever investment in schools and classrooms**

The Wellbeing Budget, for the first time, makes a multi-year commitment to build new schools and classrooms by setting aside funding for the first waves of a 10-year School Property Programme.

The Programme will roll out in four waves. The first wave of investment will pay for the following projects to start in 2019/20:

- three new schools to accommodate 1,320 more students
- four new school expansions for an additional 1,100 students
- at least 150 new classrooms at existing schools for 3,500 more students.

Budget 2019 allocates \$286.8 million in capital for the first wave of investment to build the new schools and classrooms referenced above.

A traditional Budget would have stopped there, leaving uncertainty about what funding would be made available in future Budgets.

The multi-year capital allowance in Budget 2019 means we can now plan further ahead, and set aside money now for future investments that we know will be needed.

An additional \$913.3 million is being set aside in this Budget to allow the Ministry of Education, as well as schools and communities, to better plan for growth over the next 10 years. This brings the total capital funding set aside in this Budget for new schools and classrooms to \$1.2 billion.

“This is the largest ever investment in school property by a New Zealand Government,” Education Minister Chris Hipkins says.

With this funding now confirmed, the Government will shortly release the National Education Growth Plan. The Plan will identify the number of student spaces required around New Zealand by 2030 as the school-age population grows.

“The National Education Growth Plan is a first for New Zealand, representing a step change in the way we plan for, and manage, growth in the school-age population, school redevelopments and school builds over a number of years,” Chris Hipkins says.

“This programme will give certainty to schools, communities and the construction sector. It will streamline procurement processes, giving taxpayers more value for money.”

“The education programme will focus on the areas of New Zealand with the highest forecast student population growth. “This enables us to take a strategic approach across the whole country and within each region, instead of having to react to population issues school by school,” Chris Hipkins says.

## **Investing in the long term health of our hospitals**

The Wellbeing Budget is making an unprecedented investment in New Zealand’s hospitals.

Budget 2019 includes \$850 million for health capital for 2019/20 and a further \$850 million for 2020/21 – made possible by the multi-year capital allowance. Each year is \$100 million more than was allocated in Budget 2018, which at the time was the largest capital investment in hospitals in a decade.

Over the next two years, \$200 million of the funds will be set aside for capital investment in mental health and addiction facilities.

“This unprecedented investment of \$1.7 billion in our hospitals and facilities over two years gives DHBs the certainty they need to plan for the future. It means they can put forward business cases for important projects that have been put off for too long,” Health Minister David Clark said.

“No-one really wants to go to hospital, but when they do, they want to be treated in modern facilities that are up to the job.”

Last year, DHBs reported that about 19 per cent of their assets were in poor or very poor condition. The current Government inherited issues with earthquake-prone hospitals, asbestos, leaky roofs and buildings that have simply come to the end of their useful life.

The investments in Budget 2019 build on the \$750 million investment into Health capital at Budget 2018.

“That investment is funding everything from remedial works at Middlemore Hospital to deal with rot and mould in the walls, to new mental health facilities in Christchurch and extra surgery capacity on Auckland’s North Shore,” David Clark says.

“Once completed, these projects, and new ones funded through Budget 2019, will make a real difference for the patients and staff who work in our hospitals. But there is still much more work to be done to deal with the legacy of a decade of underinvestment in our health infrastructure,” David Clark says.

## **Funding confirmed for Dunedin Hospital**

The Wellbeing Budget also contains funding for the single biggest building project currently being progressed in health – the Dunedin Hospital rebuild.

The Coalition Government has ring-fenced funding in a Budget 2019 contingency in anticipation of a business case for the hospital being completed. When that happens, the Dunedin community can have the confidence that funding is already there for the expected ten-year life of the project.

“The Government promised to invest in the health of our hospitals – and there’s no better example than our commitment to the Dunedin Hospital rebuild,” David Clark says.

“The people of Otago have been waiting too long for a replacement for their aged hospital. For years it has had well-publicised issues with leaks and asbestos, which saw patient records having to be fetched by staff in hazardous materials suits.”

The Coalition Government purchased the central Dunedin site for the new hospital in 2018. Planning is well advanced, with the outpatient and day surgery building prioritised for construction first.

## **Delivering a long-term infrastructure plan**

The need for longer-term capital planning will now be informed by the work New Zealand Infrastructure Commission, Te Waihanganga.

Its job includes producing an infrastructure pipeline and working with central and local government, industry, and other stakeholders to develop a 30-year strategy for the long-term infrastructure requirements of New Zealand.

“The New Zealand Infrastructure Commission, Te Waihanganga, will provide expert advice, assistance with planning and strategy, support the delivery of major infrastructure projects across the country and act as the golden thread between the various pieces of work this Government is undertaking regarding major capital projects,” says Minister for Infrastructure Shane Jones.

“Developing the pipeline was a priority identified by the Construction Sector Accord between Government and industry. The Accord is about creating certainty for businesses so they have the confidence to plan ahead, invest and train their workforces.

“The Government is a central player in New Zealand’s infrastructure and construction market, accounting for about 20 per cent of construction contracts in New Zealand. That means capital investment decisions made by the Government can have a considerable impact on this sector and the economy as a whole.”

## Other crucial capital investments in Budget 2019 include:

- **Our investment in KiwiRail** – over \$1 billion to unlock regional economic growth, reduce emissions and congestion, and prevent deaths and injuries. This includes \$375 million for new wagons and locomotives, \$331 million to invest in track and other supporting infrastructure and \$35 million to begin the process of replacing current ferries that are nearing the end of their lives. \$300 million is also provided from the Provincial Growth Fund for investment in regional rail initiatives.
- **Investment in Auckland's City Rail Link** – we are investing \$405.5 million of new capital investment into this project through Budget 2019. The City Rail Link will provide the equivalent of 16 extra lanes of traffic into the city centre during peak times and the number of people within 30 minutes travel of Auckland's CBD will double.
- **The Christchurch Schools Rebuild programme** – \$84.3 million to keep the Christchurch Rebuild programme on track for completion.
- **Transitional housing** – We are setting aside \$283.3 million in capital and operating investment to increase the supply of long-term and relocatable transitional housing places to approximately 2,800, and provide support services. In addition, we have set aside further funding in contingency to invest in transitional housing. Further announcements will be made in the Housing Reset.
- **The Provincial Growth Fund (PGF)** – Overall, \$855 million has been allocated to the Provincial Growth Fund from the multi-year capital allowance to provide long-lasting economic benefits for regions previously neglected.
- **Defence** – as previously announced the Government will fund the acquisition of four Boeing P-8A Poseidon maritime patrol aircrafts to replace the aging P-3K2 Orion fleet, and the training systems, infrastructure, mission support and other services required to operate them.

## Investing in New Zealand's critical public services

The Wellbeing Budget continues to invest in the core public services that New Zealanders, their families and communities rely on every day. Because we are managing the Government's books well and prioritising what we are investing in, we are able to meet the needs of a growing population and cost pressures. These investments include:

- **District Health Boards** – our DHBs face increasing pressures from New Zealand's growing population. Budget 2019 sets aside \$2.9 billion over the next five years in additional support for our 20 DHBs. This funding means they can maintain services in the face of the growing population and cost pressures. It includes \$40 million for PHARMAC, which is also highlighted below. There is also additional funding for more planned care (like elective surgeries).
- **Ambulances** – the Government is investing \$21 million into our ambulances over the next two years. The one-off funding will relieve immediate pressures and provide certainty while St John and Wellington Free Ambulance work with the Ministry of Health, ACC and District Health Boards on the long-term sustainability of their services. This is on top of a \$17.2 million increase in operational funding (over four years) as part of Budget 2019.
- **Bowel screening** – we are rolling out the National Bowel Screening Programme to four more DHBs. This \$36 million investment will reduce bowel cancer mortality, increase the proportion of early stage bowel cancer detection, reduce treatment costs for patients and increase five-year relative survival rates for bowel cancer.

- **Disability Support Services** – we are investing \$464.3 million over four years so Disability Support Services can continue to deliver services in the face of increasing demand. This supports 34,000 people receiving Ministry of Health support through Needs Assessment Service Coordination organisations, 7,500 of whom are in residential care. More than 75,000 people receive Environmental Support Services, including equipment like mobility and positioning, hearing and vision support, equipment for daily living and housing and vehicle modifications. This funding will also meet increasing costs of delivering disability support services due a growth in In-Between Travel and the minimum wage increase. In addition, child development services will be delivered to an additional 1,150 children.
- **Our schools** – we are investing \$235 million over four years for early childhood education services, ngā kōhanga reo and schools to maintain quality while meeting the rising costs of resources, services, and staffing, and \$296 million over four years to meet the costs of additional children in the system.
- **PHARMAC** – we are continuing to increase funding for PHARMAC, with an extra \$40 million over the next four years. For 2019/20 this will boost its Combined Pharmaceutical Budget to almost \$1 billion. Separately, the Government is considering policy options for an early access scheme for new cancer drugs.
- **Restoring a Safe and Effective Prison Network** – the Wellbeing Budget also invests \$112.8 million over four years in New Zealand’s prison network to ensure it is safe and effective. Our goal is to ensure that prisoners are held in more humane environments and can be out of their cells longer for more rehabilitation and reintegration activities. These are key foundations to improving wellbeing and reducing reoffending.

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