

The Treasury

Submissions on a New Independent Infrastructure Body Information Release

February 2019

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A New Independent Infrastructure Body

New Zealand Treasury

October 2018

A New Independent Infrastructure Body

Your responses

Please write your responses into the template following this introductory page.

Please note:

- ▶ You do not need to answer all sections – just the ones for which you have information or comments you would like to contribute.
- ▶ Please submit your response to infrastructure@treasury.govt.nz by **5pm on Friday 26 October 2018**.

The information provided in submissions will be used to inform the Treasury's policy development process, and will inform advice to Ministers in relation to this matter. We may contact submitters directly if we require clarification of any matters in submissions.

Thank you for your time and effort on making your submission.

For further information

Website: <https://infrastructure.govt.nz> (redirects to the Treasury's Infrastructure pages)

Email: infrastructure@treasury.govt.nz

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Your contact details

For individuals

Your name:	James Hughes
	Indicate here if you do not wish your name to be included in any summary of submissions that we may publish.

Email address:	[1]
Phone number:	[1]

For organisations

Organisation name:	Tonkin + Taylor
Nature of your business:	Engineering, planning and environmental consultancy
	Indicate here if you do not wish your name to be included in any summary of submissions that we may publish.

Contact person name:	Doug Johnson
Position:	Managing Director
Phone number:	[1]
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Questions for Submitters

1 What do you think are essential features of the new independent infrastructure body, so it can deliver on its core purpose to strengthen infrastructure strategy, planning, investment and delivery (note functions are discussed below)?

Response:

The purpose of the independent infrastructure body (abbreviated in this submission to **IIB**) needs to be clearly articulated, supported by appropriate legislation and have highly functional relationships between national and local government, their agencies and within their respective industries.

We believe the purpose and function of the IIB is to ensure New Zealand has a medium to long term view on what infrastructure systems may be needed to support our future society such that government, its agencies and their respective industries can be better informed when making decisions on today's infrastructure needs and investments. The outcome should provide greater confidence that the infrastructure systems that New Zealand is planning, designing and building for today have the best chance in delivering the needs of future generations.

This can be achieved by:

1. Holding viewpoints of what New Zealand's future society will need from our infrastructure to support the country as whole for the medium and long term (20 to 30 years out) as a network of integrated systems of infrastructure components.
2. Ensuring this is based on the best available data, projections of future trends and potential disruption, in order to understand the range of options that may exist to achieve the desired outcomes.
3. Advising national and local government, their agencies and the industry as a whole on the impact of short term decision making and the ability, or otherwise, to achieve long term objectives.
4. Having oversight and providing advice on the capacity and quality of our collective infrastructure systems to support our desired future state.

While holding the long term perspective, it is important that the IIB does not interfere with leadership and management of national and local government (and their agencies) nor industry in the planning, funding, design, building and management of specific infrastructure assets within the political, economic and social context of the day. It is a long term reference body that supports achieving long term objectives – it should be agnostic on how these long term objects are achieved.

The place of the IIB, and the plans and strategies it produces in the existing infrastructure planning system in New Zealand, needs to be carefully considered. If the IIB is to have weight and relevance then careful drafting of the legislation that gives rise to it will need to be undertaken, along with consideration of consequential amendments to existing legislation. For example, will any national infrastructure plan or programme produced by the IIB need to be given effect by the likes of, Regional Land Transport Plans and local authority long term plans? Unintended consequences could occur if a thorough embedding of the IIB and its outputs in the New Zealand legislative and policy environment are not undertaken.

Similarly, emerging policy around New Zealand's approach to Zero Carbon are profoundly influenced by infrastructure. Globally, it is estimated that 75 percent of the infrastructure that will be in place in 2050 doesn't exist today¹. New Zealand's infrastructure requirements (deficit) are less-well quantified, however the number will be similarly large. What is certain, however, is that all future infrastructure must support a low carbon future and must, itself, look to minimise carbon during construction – if we are to meet our zero carbon targets.

Additionally, considerable thought will be required in regard to how the IIB interfaces with, and relates to, other existing or proposed agencies, or levels of government. These may include: local and regional councils, the National Infrastructure Unit, DIA, MBIE, the proposed Climate Commission, a risk-management body such as the proposed Local Government Risk Agency, water authorities, NZTA, KiwiRail etc.

Given the above, an essential requirement is *clarity* of the IIB's role(s) and the associated ability to influence outcomes. For example, the role could fall into a *facilitative*, *preparatory*, or *implementation* category – as per Figure 1 below. Each of these would, in theory, require an increasing level of investment/effort.

¹Global Infrastructure Basel (2014)

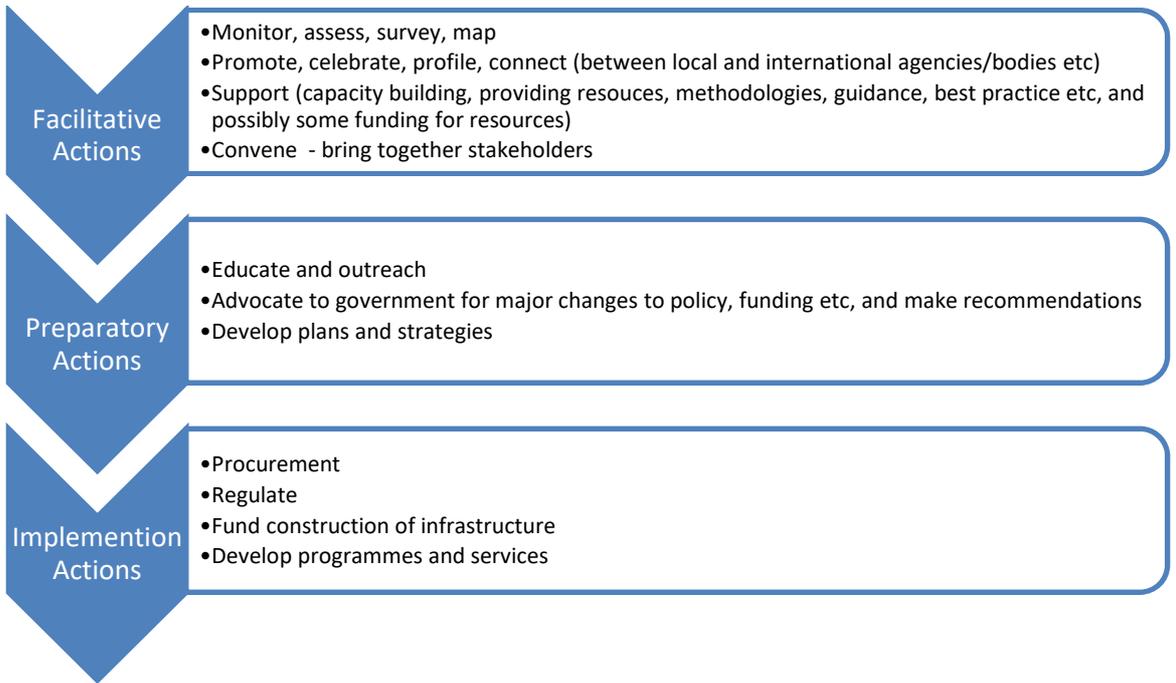


Figure 1: Types of actions with increasing level of effort

It may make sense for the IIB to begin with a *facilitative* role and build/expand this over time. This would allow the IIB to establish credibility and a mandate.

An additional, important consideration is whether the IIB will focus on national level infrastructure (e.g., major transport or power) or local level infrastructure, such as water supply. On the one hand, local councils and communities may likely not respond well to intervention from a new agency, however, some smaller councils may be those with the greatest need for support (due to skills shortages etc).

Similarly, how the IIB would be able to influence privately held infrastructure such as power, telecommunications and fuel supply should be considered. While these ‘Lifeline’ utilities may operate well during business-as-usual conditions, many may have limited resilience during unforeseen events. ‘*Infrastructure Resilience*’ in this regard, is something the IIB may have the ability to influence – however exactly how will need thought. Tonkin + Taylor, as practitioners/advisors on infrastructure resilience, considers there is a need for more central Government direction on infrastructure resilience, so we would support this being part of the role of the IIB, if not located better somewhere else in Government.

2 What relationship should the independent infrastructure body have with the government?

Response:

It is suggested that the IIB has an *advisory* rather than a decision-making role. This creates a channel of 'independent' expert advice and would strike a balance between providing additional capability and capacity for long term infrastructure planning, while ensuring Government is able to make decisions based on its own priorities.

Notwithstanding this recommendation, our responses around *clarity of role* are paramount, and therefore who the IIB advises needs to be determined.

Too much decision-making power could make the IIB more at risk of being removed by future governments, if the Government of the day does not agree with the direction. However, if not enough weight and attention is given to the IIB's recommendations, this could reduce its effectiveness.

i In particular, what level and form of independence does the body need to be credible and influential from your perspective?

Response:

Refer to the previous response. In addition to the comments above, the make-up and perceived impartiality/independence and diversity of the IIB/its Board is essential.

ii Should the level and form of independence vary according to each different function? If yes, please elaborate

Response:

Yes – if the IIB is to be involved in procurement then that function needs to have a high degree of independence from Government. The potential for political imperatives to influence procurement methodology should be avoided.

3 Thinking about the possible functions proposed in this document (listed below), how important is each function on a scale of 1 (not very important) to 5 (essential)?

Functions to consider and comment on:

- ▶ Assess the condition of New Zealand's infrastructure assets



Note: We suggest that while this is important, this function could be required of others (utilities themselves), rather than undertaken by the IIB.

- ▶ Develop a shared understanding of New Zealand's long-term infrastructure strategy



Note: The ability to understand and influence strategies of other infrastructure agencies is important in this regard.

- ▶ Identify New Zealand's highest priority infrastructure needs



Note: The concept of 'priority' will need thought, as this may involve priority for economic, social, environmental, cultural, or resilience reasons. Clear decision-making approaches will be required. We expect the Government would want to set priorities.

- ▶ Identify and comment on the barriers to delivering good infrastructure outcomes



Note: This clearly falls within an independent advisory role.

▶ Publish long-term capital intentions



Note: Useful from a funding and procurement point of view.

▶ Act as a 'shop front' for the market including publish a pipeline of infrastructure projects



Note: Useful for national level, large infrastructure, however, less so at local level. Given New Zealand's size and scale, large projects are less common – so the benefit of this function may be smaller.

▶ Provide project procurement and delivery support



Note: This is possibly best retained within existing agencies and introduced as the new body becomes established.

▶ Provide best practice guidance on project procurement and delivery



Note: This clearly falls within an independent advisory role.

4 Are there any other functions, in addition to the proposed list above, which you think the independent infrastructure body should carry out?

If so, please rate the importance of each additional function on a scale of 1 (not very important) to 5 (essential).

Response:

The RMA process is problematic when different government agencies submit. The relationship with iwi (and other stakeholders) will need consideration, especially around the trade-offs associated with infrastructure provision and the types of infrastructure provided. The decision-making processes utilised will need to consider the four well-beings.

Realism: It is suggested that the IIB could begin with a narrow role, and potentially build this over time. That is, not to try and solve everything at once.

Sustainability: As more focus is given locally and internationally to emissions reduction, and other elements of sustainability (including the Sustainable Development Goals), it is recommended that the new IIB include strong sustainability goals within its terms of reference.

Risk and Resilience: Similarly, given the increasing focus on risk and resilience within New Zealand's existing infrastructure providers, it is recommended that resilience be a strong focus area. How the IIB interfaces with other agencies in this regard will need careful thought. Particular regard should be given to interfacing with the proposed Local Government Risk Agency, the National Risk Unit and the Climate Commission (together with the National Climate Risk Assessment, that is being planned).

5 Thinking about each possible function individually (including any additional functions you have listed above) how could the new independent infrastructure body best achieve each function?

Functions to consider and comment on

- ▶ Assess the condition of New Zealand's infrastructure assets

Response:

This should consider improved approaches to asset data collection, and standardisation of reporting. There are a range of parallel initiatives underway via LINZ and others that should be connected.

Councils currently prepare regular asset management plans and infrastructure strategies, and renew assets based on condition assessments and 'remaining useful life'.

Having a consistent understanding of what is meant by 'condition' will be important. For example, while physical condition is important, other factors such as capacity, effectiveness, reliability, resilience, etc. may also be equally important and may need to be considered. Having useful and standardised ways of measuring this within and across asset types may be difficult.

The IIB may, instead, consider auditing practice based on a range of measurable KPIs, similar to an asset management 'maturity' index.

- ▶ Develop a shared understanding of New Zealand's long-term infrastructure strategy

Response:

Given the complexity of infrastructure sectors and actors, our view is that this shared understanding would be possible primarily for 'national' infrastructure (power, transport, ports etc).

For local infrastructure, some form of regular reporting and synthesis of information may be sufficient. An example is the Water NZ National Performance Review.

<https://www.waternz.org.nz/NationalPerformanceReview>

For all infrastructure, however, the IIB should provide guidance, alignment and future scanning - in relation to global and national 'mega-trends' which influence challenges and pressures for infrastructure delivery. These include:

- Technology, smart cities, autonomous vehicles, artificial intelligence, big data
- Climate change (global warming) and resilience.
- Resource constraints
- Urbanisation
- Aging populations
- Aging infrastructure

▶ Identify New Zealand’s highest priority infrastructure needs
<p>Response: Prioritisation within and across infrastructure types is inherently complex, and requires clear understanding of costs and benefits (financial and non-financial). Our current approach to business-case development seldom allows for non-financial benefits in an adequate manner.</p> <p>Our suggestion, therefore, is that effort be placed in developing methodologies which enable better decision-making.</p>
▶ Identify and comment on the barriers to delivering good infrastructure outcomes
<p>Response: This relates to the above comments and will flow from these.</p>
▶ Publish long-term capital intentions
<p>Response: Long term plans are already a requirement for councils. More consistency and alignment of infrastructure ‘direction’ will naturally result in capital plans becoming more certain – which will inform a pipeline of work.</p>
▶ Act as a ‘shop front’ for the market including publish a pipeline of infrastructure projects
<p>Response:</p>
▶ Provide project procurement and delivery support
<p>Response: This will require specialist expertise, and is perhaps a function that is introduced over time. We see this as best serving New Zealand by adding expertise to support others implement infrastructure projects, not more management and processes.</p>
▶ Provide best practice guidance on project procurement and delivery
<p>Response: This could be in the form of guidance material, expertise, capacity support etc. The proposed Local Government Risk Agency should also be considered in terms of the risk management functions it is intending to provide.</p>
▶ Any additional functions you have proposed
<p>Response: Sustainability and resilience:</p> <p>There is an ongoing and growing focus on sustainability (including zero carbon) as well as risk/resilience. How the IIB addresses this and drives improvement in these areas through infrastructure planning/investment will need consideration.</p>

6 How could the new independent infrastructure body best work with local government and the market to help them plan long-term infrastructure?

Response:

- Monitoring capacity and quality of construction industry
- Supporting capability and capacity shortages, particularly for the strategy and planning functions
- Providing guidance and best practice approaches (e.g. asset management, risk management, procurement etc)
- Linking to technical expertise locally and internationally
- Providing independent review of business cases
- Looking to 'connect' or 'aggregate' projects to provide scale and synergies

7 How could the new independent infrastructure body best engage with the market?

Response:

Providing regular newsletters, updates and plans.

Via an electronic portal/website and other appropriate communication platforms and technologies.

The engagement of the IIB with Government and respective industries needs to be highly interactive and will require the use of a range of communication channels. Central to this will be the ability of the IIB to listen to, and be informed by, a wider range of stakeholder groups to inform a picture of what our infrastructure needs are for the future, and to be able to demonstrate how it may support our other long term needs and give relevance to inform today's decision making.

It should be:

- Interactive
- Data driven
- Transparent
- Informed by a range of prediction models and scenarios
- Constantly updated as context and assumptions are validated/modified

Channels for communication (over and above usual) should be supporting:

- Future focused workshops, conferences and briefings
- Annual reporting and updating of future needs including performance and tracking
- Funding research and supporting modelling of the impact of social, environmental and technological change on infrastructure needs (both existing and new)

8 What information should a published pipeline of infrastructure projects include?

Response:

Location

Type

Construction Value

Fee Value

Likely procurement model

9 What type of support could the new independent infrastructure body provide to the market in order to act as a 'shop front' (Function 6)?

Response:

10 How could the new independent infrastructure body best assist local government to support and deliver infrastructure projects?

Response:

See response to Question 6

11 Are there any other comments you wish to make?

This could include comments on the form and governance of the new independent infrastructure body.

Response:

It appears largely implicit within the consultation document that an 'infrastructure' solution requires building something physical, and that as a country we need to continue to build 'more of the same'.

In our view, there needs to be a parallel focus on:

- Better use of existing infrastructure
- Demand management
- Other methods of delivering services that may be more adaptable to an uncertain future (e.g. decentralised options)
- Resilience and natural infrastructure/systems

Generally speaking, we continue to provide solutions using similar approaches that we have used for the last century, however our world is fundamentally different, and we are increasingly aware of the shortcomings in our current approaches.

Given the city-shaping nature and ability to influence development pathways for decades, even centuries in the future – the planning and delivery of 'mega projects' needs careful thought through. Historically, we have not always got this right.