

The Treasury

Independent Infrastructure Summary of Submissions Information Release

Release Document

June 2019

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Treasury Report: A New Independent Infrastructure Body: Consultation Summary

Date:	22 nd November 2018	Report No:	T2018/3233
		File Number:	SH-11-5-16-1-2-1

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the consultation feedback and agree to release the consultation submissions.	29 th November 2018
Minister for Infrastructure (Hon Shane Jones)	Note the consultation feedback and agree to release the consultation submissions. Refer to the Minister of Transport, Housing and Urban Development and the Minister of State Services.	29 th November 2018

Contact for Telephone Discussion (if required)

Name	Position		Telephone	1st Contact
Amy van Bunnik	Analyst, National Infrastructure Unit	[1]	(wk) N/A (mob)	✓
David Taylor	Manager, National Infrastructure Unit	[1]	(wk) N/A (mob)	

Actions for the Minister's Office Staff (if required)

<p>Return the signed report to Treasury.</p> <p>If agreed, refer to the Minister of Transport, Housing and Urban Development and the Minister of State Services, as the Responsible Ministers.</p>	
Note any feedback on the quality of the report	

Enclosure: YES (attached)

Treasury Report: Independent Infrastructure Body: Consultation Summary

Executive Summary

This report summarises the submissions received from consultation with stakeholders about the functions and features the independent infrastructure body will need to be successful.

The submissions received have been analysed to inform the Treasury's recommendations on the functions and form of an independent infrastructure body in the accompanying Treasury report [T2018/3083].

Four key themes were reflected through consultation including:

1. Support for the establishment of a new independent infrastructure body.
2. The value of independence of view and a close relationship to Government to influence decision-makers.
3. Strategy and planning functions are essential.
4. The importance of a Board of Directors with a range of expertise across the sector.

Functions

Cabinet has agreed in principle to establish an independent infrastructure body and has outlined their expectations for the entity [GOV-18-MIN-0054]. The Treasury then refined these expectations into the following eight functions:

1. Assess the condition of New Zealand's infrastructure stock.
2. Develop a shared understanding of New Zealand's long-term infrastructure strategy.
3. Identify New Zealand's highest priority infrastructure needs.
4. Identify and comment on the barriers to delivering good infrastructure outcomes.
5. Publish long-term capital intentions.
6. Act as a 'shop front' for the market and publish a pipeline of infrastructure projects.
7. Provide procurement and delivery support.
8. Provide best practise guidance on project procurement and delivery.

Feedback on these eight proposed functions was broadly positive; the first four functions were deemed 'essential' (five on a scale of one to five) by more than half of submitters.

A few submissions questioned whether the strategy and planning functions as and the procurement and delivery functions should be carried out by the same entity.

Form

The consultation document did not ask directly about the form of the independent infrastructure body so opinions on this topic were limited. Those submissions that did share an opinion on form had a variety of views.

Most commonly, the feedback expressed the importance of the body having independence from Ministers and a close relationship with the Government in order to foster an effective, influential working relationship with decision-makers. This state would allow the infrastructure body to influence decision-makers and attain quality engagement with other stakeholders.

The majority of submissions expressed that the body should be governed by a board and exec team, appointed independently from the political cycle. Including the 'right' people on the board was seen to be very important. We note that most submissions commented on the importance of employing people with the right expertise and a couple of submissions expressed the importance of including the right people ahead of the entity's form.

Of the submissions that gave feedback on the infrastructure body's form, the majority preferred a Crown entity (either an Autonomous Crown entity or an Independent Crown entity).

Recommended Action

We recommend that you:

- a **note** the consultation feedback received
- b **agree** that the Treasury should publish the submissions, after consultation with Ministerial offices, on the Treasury website before Christmas
- | | |
|-----------------------|-----------------------------|
| <i>Agree/disagree</i> | <i>Agree/disagree</i> |
| Minister of Finance | Minister for Infrastructure |
- c **refer** this Treasury report [T2018/3233] and the accompanying Treasury report [T2018/3083] to the Minister of Transport, Housing and Urban Development and the Minister of State Services, as the Responsible Ministers.
- | | |
|-----------------------------|-----------------------------|
| <i>Refer / not referred</i> | <i>Refer / not referred</i> |
| Minister of Finance | Minister for Infrastructure |

David Taylor
Manager, National Infrastructure Unit

Hon Grant Robertson
Minister of Finance

Hon Shane Jones
Minister for Infrastructure

Treasury Report: A New Independent Infrastructure Body: Consultation Summary

Purpose

1. The purpose of this report is to inform you of the feedback received from stakeholder consultation on a new independent infrastructure body. This consultation feedback has been used to inform the Treasury's advice regarding the infrastructure body's functions and form in the accompanying Treasury report [T2018/3083]. We are also seeking permission to publicly release all submissions received on the Treasury website.

Background

2. In August 2018, Cabinet made an in principle decision to establish an independent infrastructure entity by 1 October 2019. Following this, the Treasury undertook consultation between 8 – 26 October 2018 on the establishment of an independent infrastructure entity in order to inform our recommendations to Ministers. Interested people and organisations were invited to submit their views on the functions and features that the independent infrastructure body (the body) will need to be successful. Submissions were received in a variety of forms including through an online survey, submission template and in writing.
3. The consultation document directed submitters' attention to the eight functions proposed by Cabinet [GOV-18-MIN-0054] including five strategy and planning functions and three procurement and delivery functions. The consultation document also gave submitters the opportunity to comment on essential features of the body, propose additional functions and give feedback on the relationship the infrastructure body should have with local government and the market. A full list of the questions posed to submitters as well as the proposed functions are outlined in Appendix 1.
4. During the same period, the Treasury and the National Infrastructure Advisory Board (NIAB) held consultation sessions on the independent infrastructure body in Wellington, Auckland, Christchurch and Sydney, hosting a range of attendees from local government through to equity providers. The sessions provided attendees with the opportunity to learn more about what the independent infrastructure body might look like and share their views.
5. The Treasury has been pleased with the quantity and quality of the submissions received. Nearly 130 submissions have been received from a wide range of people and organisations; the distribution of submitters across sectors is outlined in Appendix 2. These submissions have been analysed by the Treasury and used to inform the Treasury's advice to Ministers in the accompanying Treasury report [T2018/3083]. This paper provides a summary of the key themes expressed in the submissions received.

Key Themes

The four key themes reflected throughout the submissions received are outlined below:

Theme one: Support for the establishment of a new independent infrastructure body

6. Broadly, there has been very strong support for the establishment of a new independent infrastructure body and the proposed functions of the body. There have been no submissions that oppose the establishment of an independent infrastructure body. Many submitters highlighted fundamental issues with the way infrastructure in New Zealand is currently planned and delivered, indicating the need for a step change. Submitters believe the body has an opportunity to address historic underinvestment issues and improve infrastructure outcomes for all New Zealanders.

Theme two: Value of both independence from Ministers and a close relationship to Government

7. Across the survey responses, there were relatively even views on the benefits of the body's independence from Ministers and a close relationship with government. Submitters have acknowledged that independence is fundamental to establishing credibility in the market; however, a close relationship with government is essential to influencing decision-makers. In order to successfully achieve this balance, the body will need to act transparently.

Theme three: Strategy and planning functions are essential

8. Respondents consider that the strategy and planning functions are of greater importance than the procurement and delivery functions. More than half of survey respondents classified the following four strategy and planning functions as essential (five on a scale of one to five):
 1. Assess the condition of New Zealand's infrastructure stock.
 2. Develop a shared understanding of New Zealand's long-term infrastructure strategy.
 3. Identify New Zealand's highest priority infrastructure needs.
 4. Identify and comment on the barriers to delivering good infrastructure outcomes.

The relative importance of each function to submitters is outlined in Appendix 3.

Theme four: Importance of a Board of Directors with a range of expertise across the sector

9. Submissions noted the importance of an effective board to ensure the success of an independent infrastructure body. In a couple of submissions, the importance of involving the right people on the board was noted, ahead of the importance of the entity's form.

Functions

10. Broadly, submissions have expressed strong support for the infrastructure body's proposed functions.
11. A few participants have noted that the infrastructure body's proposed functions are very wide and have questioned whether the body would be more successful with a narrower

mandate. Most notably, submitters expressed that function 1 (asses the condition of New Zealand’s infrastructure stock) would be a challenging exercise however this function was also seen as one of the most essential.

12. A small number of submitters have expressed concern about including both the strategy and planning functions and the procurement and delivery functions in the same entity. These participants were of the view that including both of these types of functions may result in adverse incentives and the possibility of planning being driven by delivery.

Specific points related to the body’s functions

Function 1: Assess the condition of New Zealand’s infrastructure stock

13. As part of the consultation. Participants were asked to rank the infrastructure body’s proposed functions on a scale of one to five, where one is not very important and five is essential. The ratings in the stars below reflects the average rating for each function.

Perceived importance of function 1: ★ ★ ★ ★ ★

14. Submitters noted the value of this function and expressed that the assessment should also take into account performance and capacity. However, they also noted that this function will require significant time and effort to undertake effectively.
15. Submitters recognised that the quality of any assessment is limited by the quality of input data. A group of submitters suggested that the infrastructure body take ownership of a set of metadata standards. There were a variety of proposed solutions to attain high quality, consistent data:
 1. Submitters were divided with some suggesting that the infrastructure body should encourage stakeholders to meet data standards through engagement, collaboration and incentives.
 2. While others suggested that the infrastructure body should have the authority to require owners of nationally significant infrastructure to provide adequate information.

Function 2: Develop a shared understanding of New Zealand’s long-term infrastructure strategy

16. Perceived importance of function 2: ★ ★ ★ ★ ★

17. This function was perceived by submitters to be the most important to the infrastructure body’s success.
18. Submitters noted the value of a long-term strategy and recognised the importance of developing a strategy independently from Ministers in order to maintain credibility and therefore market confidence through election cycles. Most submitters preferred a 30-year outlook for the strategy although a few believed that a 50-year outlook would be beneficial.

Function 3: Identify New Zealand’s highest priority infrastructure needs

19. Perceived importance of function 3: ★ ★ ★ ★ ★

20. Submitters expressed that multiple scenarios should be developed and published to indicate New Zealand’s priority infrastructure needs under a variety of possible economic, political, social and environmental scenarios.
21. There was strong interest in how these priorities would be set with many submitters requesting market engagement and transparency throughout this process.

Function 4: Identify and comment on the barriers to delivering good infrastructure outcomes

22. Perceived importance of function 4: ★ ★ ★ ★ ☆
23. Primarily, submitters believed this function should not only identify barriers but also provide insights into how they could be overcome. Feedback specified the need to take into account both financial and economic costs and benefits when undertaking this assessment.

Function 5: Publish long-term capital intentions

24. Perceived importance of function 5: ★ ★ ★ ★ ☆
25. Submissions recognised that collecting appropriate, accurate information would be challenging for the infrastructure body. Submission feedback did not provide a clear preference on how the infrastructure body should attain quality information. Some submitters indicated that close engagement with stakeholders and providing incentives may encourage the sharing of information while a similar number of submissions believed that the body would need the authority to obtain information.
26. The vast majority of submitters believed that a 30-year outlook for major projects is required.

Function 6: Act as a 'shop front' for the market and publish a pipeline of infrastructure projects

27. Perceived importance of function 6: ★ ★ ★ ★ ☆
28. Most submitters saw the pipeline as the key feature of the 'shop front' function. Submitters believed that the pipeline should forecast projects over the next 10 years acknowledging that the first three to five years would be the most accurate and be updated periodically as updates become available.
29. Respondents were also asked what information the pipeline should contain. Broadly, submitters expressed that the pipeline should contain as much accurate information as possible in order to effectively signal opportunities to the market.
30. One of the most common feedback points for the 'shop front' function was that it provides an opportunity for the infrastructure body to broker relationships between central government, local government and the private sector.

Function 7: Provide procurement and delivery support

31. Perceived importance of function 7: ★ ★ ★ ★ ☆
32. Submitters shared a view that a body providing procurement and delivery support would need to be highly skilled and therefore be resourced appropriately to attract people with the appropriate level of expertise.

Function 8: Provide best practise guidance on project procurement and delivery

33. Perceived importance of function 8: ★ ★ ★ ★ ☆
34. Submitters noted that engagement with stakeholders will allow the body's credibility to build. Providing best practise guidance was seen as important however, this was secondary to the importance of the strategy and planning functions.

Additional functions

35. In addition to the functions currently proposed for the infrastructure body, participants were able to suggest further functions which they thought would be beneficial. The most common suggestion was:
1. a funding and financing function: including brokering ways to gain access to new funding tools and a toolkit of financing options, and
 2. provide best practise guidelines for asset management.

The following suggestions were also common. However, we note that these activities will be undertaken by the infrastructure transactions unit (ITU) part of the infrastructure body within the existing procurement and delivery functions:

3. review and advise on business cases for major projects, and
4. broker relationships; including those between central government, local government and the private sector including providing best practise guidance on risk allocation.

Form

36. The consultation document did not directly ask submitters for feedback on the form of the infrastructure body and as a result, not all submitters expressed a view on this topic. Those submitters who gave feedback on the form of the infrastructure body expressed a wide variety of opinions. Most commonly, submitters were of the opinion that the infrastructure body should be established as a Crown entity.

The key themes expressed through submissions in relation to the body's form are as follows:

37. Feedback expressed the importance of the infrastructure body's independence from Ministers and a close relationship with government. These two attributes will require transparency and will allow the infrastructure body to provide credible information to both the market and decision-makers.
38. The vast majority of submissions believed that the infrastructure body should have a Board of Directors. These people should have a variety of skills and expertise across the infrastructure industry, and across central government, local government and the private sector. This board composition aims to reflect independence and a close relationship with decision-makers, both of which are widely considered important to the infrastructure body's success.
39. Many submissions did not express a preferred form for the infrastructure body however, of those that did, a Crown entity (either an independent Crown entity or autonomous Crown entity) was preferred by the vast majority of submitters. Submitters believed that a Crown entity with statutory independence would allow the infrastructure body to be independent enough to have credibility in the market, but also have a close enough relationship to government to provide trusted advice.

Specific points

40. There was a variety of opinions about who should appoint the board. The majority of submitters believed that in order for the infrastructure body to be bi-partisan, board appointments should be independent from the political cycle.
41. Feedback provided a variety of opinions on who the infrastructure body should report to with Parliament being the preferred option. Other options included the Minister of Infrastructure, a group of responsible Ministers, the Prime Minister or Cabinet. However, because this was not a question directly asked in consultation, there were limited responses about who the infrastructure body should report to and very limited detail from those who did address this topic.
42. Submitters stressed the importance of having the 'right people' on the board. The majority believed that this group should comprise a mixture of public and private sector people with expertise across the infrastructure industry and the ability to act independently. Attaining people with this skill set and level of expertise will require the infrastructure body to be funded appropriately.
43. The majority of submitters believed that the infrastructure body should be established in a way that requires the Government to respond to the strategy produced by the infrastructure body, either by adopting the strategy or by publishing reasons for their different view. Agencies should not be compelled to align plans to the strategy, but their failure to do so should be subject to ongoing assessment by the body and the Government should be required to explain why agency plans are not consistent.

Public communication

44. We recommend that this Treasury report along with the 126 submissions received through the consultation process should be published on the Treasury website with no redactions by Christmas 2018. We note that the next public announcement regarding the infrastructure body's work is likely to be after Cabinet decisions are made in February – 10 weeks after submissions closed. The market could take this media hiatus as evidence that their submissions are not being taken into account. Releasing the submissions before Christmas, rather than waiting until after Cabinet decisions are made, would help reassure the sector that this is not the case. It would also help to maintain the debate on the future of New Zealand's infrastructure that the submission process stimulated.
45. Prior to releasing submissions, the Treasury will consult with government departments about their submissions and report back to the Minister for Infrastructure and the minister of Finance with an assessment of any risks associated with releasing the submissions received from government departments. The submissions will also be provided to Ministers prior to their release.
46. We consider there is minimal risk in releasing submissions before Cabinet has made final decisions. All the submissions supported the concept of an infrastructure body, and all the Government's infrastructure strategic partners¹ that made submissions have already published them. Other organisations that have also published their submissions include the Auckland Council, the NZ Telecommunications Forum, Infrastructure Partners Australia, PwC, Civil Contractors NZ, NZ Planning Institute, the Office of the Auditor General and the Institute of Financial Professionals.

¹ Infrastructure New Zealand, Local Government New Zealand, Business New Zealand, Institute of Public Works Engineers and Water NZ. The Government's only other strategic partner is the Society of Local Government Managers, who did not make a submission

Appendix 1

Appendix 1 outlines the consultation questions and proposed functions for an independent infrastructure body. The consultation questions are a list of the questions posed to stakeholders during consultation on an infrastructure body while the proposed functions are the eight functions proposed by Cabinet [GOV-18-MIN-0054 refers].

Consultation questions

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?
- 2a. What relationship should the infrastructure body have with the Government? In particular, what level and form of independence does the independent infrastructure body need to be credible and influential from your perspective?
- 2b. Should the level and form of independence vary according to the different functions?
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)?
4. Are there any other functions, in addition to the proposed list above, which you think the new independent infrastructure body should carry out?
5. Thinking about each possible function individually (including any additional functions you have listed in your response to the previous question), how could the new independent infrastructure body best achieve each function?
6. How could the new independent infrastructure body best work with local government and the market to help them plan long-term infrastructure?
7. How could the new independent infrastructure body best engage with the market?
8. What information should a published pipeline of infrastructure projects include?
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)?
10. How could the new independent infrastructure body best assist local government to support and deliver infrastructure projects?
11. Are there any other comments you wish to make?

Proposed functions

1. Assess the condition of New Zealand's infrastructure stock.
2. Develop a shared understanding of New Zealand's long-term infrastructure strategy.
3. Identify New Zealand's highest priority infrastructure needs.
4. Identify and comment on the barriers to delivering good infrastructure outcomes.
5. Publish long-term capital intentions.

- 6. Act as a 'shop front' for the market and publish a pipeline of infrastructure projects.
- 7. Provide procurement and delivery support.
- 8. Provide best practise guidance on project procurement and delivery.

Appendix 2

Appendix 2 outlines the breakdown of submitters by sector

Central Government Organisations	Local Government Organisations	Professional Groups	Individuals
19% of total submissions	13% of total submissions	15% of total submissions	19% of total submissions
Consulting Firms	Delivery Agencies	Financiers and Insurance Providers	Other/ Unclassified
13% of total submissions	6% of total submissions	3% of total submissions	13% of total submissions

Appendix 3

Appendix 3 outlines the relative importance of each of the eight proposed functions on a scale of one to five, where one is not very important and five is essential.

Importance of functions

