

A New Independent Infrastructure Body

New Zealand Treasury

October 2018

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Minister's foreword

After being sworn in as Infrastructure Minister, it became immediately clear that New Zealand is facing a major infrastructure deficit. But we have no detailed and definitive way of quantifying the scale of that deficit – which sectors will be hit the hardest and how we best go about dealing with our infrastructure challenges.

Getting on top of these issues is essential to our economic future, as well as our social and environmental wellbeing. I strongly believe we need to overhaul how we think about infrastructure and how we plan and deliver it.

I am not alone in this view.

This Government has heard from the market itself, as well as local government, about the need for greater visibility of New Zealand's infrastructure needs. Only once everyone is on the same page about what our needs are can we start planning when and where investment should occur so the sector can organise itself to meet the demand.

As a country, we need to coordinate better, and we need to bring the public and private sector into the same room so we can make the most of the infrastructure we already have and ensure that our future investments deliver the right outcomes, in the right place, at the right time.

For these reasons, the Government is establishing a new independent infrastructure body next year to ensure better infrastructure planning. To help determine what the new entity should look like, and how it can best be mandated to tackle these issues, I encourage you to read the proposals outlined in this Treasury document and submit your views.

Hon Shane Jones
Minister for Infrastructure

October 2018

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How to make a submission

We invite interested people and organisations to make **online or written submissions** on the proposed independent infrastructure body. This is an opportunity to have your say on the functions and features the new independent infrastructure body will need in order to be successful.

When to have your say

The consultation period runs for three weeks from **Monday 8 October 2018 to Friday 26 October 2018**.

After the Treasury receives and considers all submissions, it will report to Cabinet on the proposed functions in **late 2018**.

How to have your say during the consultation process

Your submissions will help inform the final proposal the Government develops over the coming months. You can have your say in a variety of ways: via the [online survey](#), by using the [submission template](#), or in writing.

There are questions on page 15 for you to consider when drafting your submission.

- ▶ Submissions can be made via the [online survey](#) available at <http://bit.ly/infrastructure-consultation>, or in writing.
- ▶ If you want to provide written feedback in a structured format, you can use our [submission template](https://treasury.govt.nz/publications/consultation/new-independent-infrastructure-body) available at <https://treasury.govt.nz/publications/consultation/new-independent-infrastructure-body>. It has the same questions as the survey but you might prefer this option if you want to share your thinking with others in your organisation.
- ▶ Written submissions, comments or questions should be sent to infrastructure@treasury.govt.nz or sent via post to:

Infrastructure Body Consultation
The Treasury
PO Box 3714
Wellington 6140

The deadline for submissions is 5.00pm on Friday 26 October 2018.

What happens after you have submitted your views

Treasury officials will analyse all submissions received by the closing date. They will consider the views of submitters when developing final proposals for Cabinet to consider and may contact individual submitters to seek further information or clarification. You will be able to go to the Treasury's website to find a copy of submissions and summary of all submissions received (subject to any withholding grounds under the Official Information Act 1982: see further below).

For further information

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

Email: infrastructure@treasury.govt.nz

Submissions and the Official Information Act 1982

Submissions received by the Treasury are subject to the Official Information Act 1982 (OIA). Please set out clearly with your submission if you have any objection to any information in the submission being released under the OIA. In particular, clearly state which part(s) you consider we should withhold, and the reason(s) for doing so.

The OIA sets out reasons for withholding information. Reasons could include that the information is commercially sensitive or that you wish us to withhold personal information, such as names or contact details. An automatic confidentiality disclaimer from your IT system is not a reason to withhold information.

We will consider your objections when responding to requests under the OIA.

Private Information and inclusion of names with published submissions

We will use any personal information you supply while making a submission **only** for matters covered by this document. **Please clearly indicate in your submission if you do not want your name included in any submission or summary of submissions that we may publish.**

Introduction

On 17 August 2018, the Minister for Infrastructure announced the establishment of a new independent infrastructure body to lift the quality of infrastructure investment in New Zealand. This consultation paper is the first step towards delivering on that commitment.

Infrastructure means fixed, long-lived structures that facilitate economic performance and wellbeing. Infrastructure includes buildings and physical networks, principally: transport, water, energy, social assets and digital infrastructure such as mobile and broadband infrastructure.

Infrastructure is delivered by central government, local government and the private sector.

Why establish a new independent infrastructure body?

New Zealand's transport and urban infrastructure is struggling to keep up with population growth, increased demand and changing needs, including transitioning to a low emissions economy. New Zealand's regional infrastructure is not always at a standard required by the communities that it serves.

Improving the quality of New Zealand's infrastructure presents an opportunity to improve economic performance and social and environmental wellbeing for generations to come.

Achieving good infrastructure outcomes requires us to think about the full infrastructure life-cycle, from planning, to delivery, to decommissioning. Good infrastructure outcomes start with having an agreed vision of the future and a strategy to deliver that vision. Subsequent planning and funding decisions need to be clearly linked to the strategy, and procuring entities need to have the ability and incentive to forward plan. This ensures we are investing in the right infrastructure to meet our needs, and that the market can take confidence from a clear pipeline of committed projects. A clear and committed pipeline also enables procuring entities and the private sector to develop their capability to match the forward work programme.

The decision to create a new independent infrastructure body follows a review of the institutional settings for infrastructure, which was carried out by the Treasury between March and August 2018. Copies of the papers that form the basis of that review are available at <https://treasury.govt.nz/information-and-services/nz-economy/infrastructure/new-independent-infrastructure-body/consultation>

A key finding of the Treasury's review was that, while institutional arrangements for managing infrastructure investments have been strengthened in recent years, the system is not consistently delivering good outcomes. In particular, stakeholders have identified the following weaknesses:

- ▶ investment decisions are not well integrated. For the market, this means there is a lack of visible projects at sufficient scale
- ▶ the focus is on building new assets, rather than focusing on outcomes
- ▶ infrastructure investment decisions are not always informed by evidence
- ▶ central and local government procurement capability is at times lacking

- ▶ there are gaps in our information and data
- ▶ skills shortages are one of the greatest challenges faced by industry.

The new independent infrastructure body is intended to meet these challenges by strengthening infrastructure strategy, planning, investment and delivery to create clarity, streamline processes and eliminate silos.

What role will the new independent infrastructure body perform and what form will it take?

Cabinet has agreed in principle to establish a new independent infrastructure body. It is proposed that it will:

- ▶ gather and publish evidence on the state of infrastructure assets and networks
- ▶ assist the Minister for Infrastructure in developing a long-term vision for infrastructure planning and delivery
- ▶ provide advice to the Minister for Infrastructure on New Zealand's highest priority infrastructure investment needs
- ▶ publicly identify and socialise regulatory and market barriers to better infrastructure outcomes
- ▶ coordinate and publish capital intentions plans and pipeline information
- ▶ provide new, expert, central transactional capability to support the delivery of major infrastructure projects across central and local government
- ▶ act as a first point of contact for the market in relation to upcoming infrastructure investment and delivery opportunities, and
- ▶ ensure the body's mandate is complementary and does not duplicate the mandate of other agencies or workflows.

Cabinet has also noted that:

- ▶ the infrastructure body will be empowered to make recommendations to ministers but decision-making rights and direction setting will remain with ministers and departmental chief executives as at present
- ▶ the infrastructure body will be complementary to and will not duplicate other ongoing work streams
- ▶ the infrastructure body will not have direct funding or project delivery powers
- ▶ the infrastructure body will provide staff to agencies to support them to undertake specialised infrastructure functions related to project delivery, while ownership and responsibility for the asset remains with the procuring body, and
- ▶ the Minister for Infrastructure will have clear accountability mechanisms over the infrastructure body in relation to its strategy and planning functions, including the ability for the Minister for Infrastructure to work with ministerial colleagues across relevant portfolios in order to reflect the Government's infrastructure agenda.

This consultation document seeks stakeholders' views on how a new independent infrastructure body can best deliver on the Government's objectives. Specifically, feedback from stakeholders will inform the Treasury's advice on:

- ▶ options for institutional form and powers of the infrastructure body
- ▶ how the infrastructure body's role will fit with the wider infrastructure system
- ▶ arrangements for ensuring the infrastructure body is mandated appropriately so it can perform its role, while recognising the ultimate responsibility of governments to make decisions on infrastructure and investments
- ▶ accountability mechanisms for the Minister for Infrastructure and government to retain control over the Government's policy direction and prioritisation
- ▶ the overall purpose and objectives of the infrastructure body to ensure it is properly directed toward considering the broader public good benefits of infrastructure investment.

How does this fit with other Government initiatives?

The new independent infrastructure body will not duplicate or replace existing functions where these are working well.

A number of other Government work programmes are underway. These include the development of an Urban Development Authority and the establishment of the Ministry for Housing and Urban Development. In addition, the Ministry for Business, Innovation & Employment (MBIE) is leading the Construction Skills Action Pipeline, aimed at addressing skills shortages in the construction sector.

As these initiatives progress, the Treasury will work with the relevant agencies to explore in detail how the new independent infrastructure body would complement or take over the work being undertaken elsewhere. For example the Treasury will explore how the new independent infrastructure body's proposed functions will relate and interact with existing functions and processes such as the *National Land Transport Programme*.

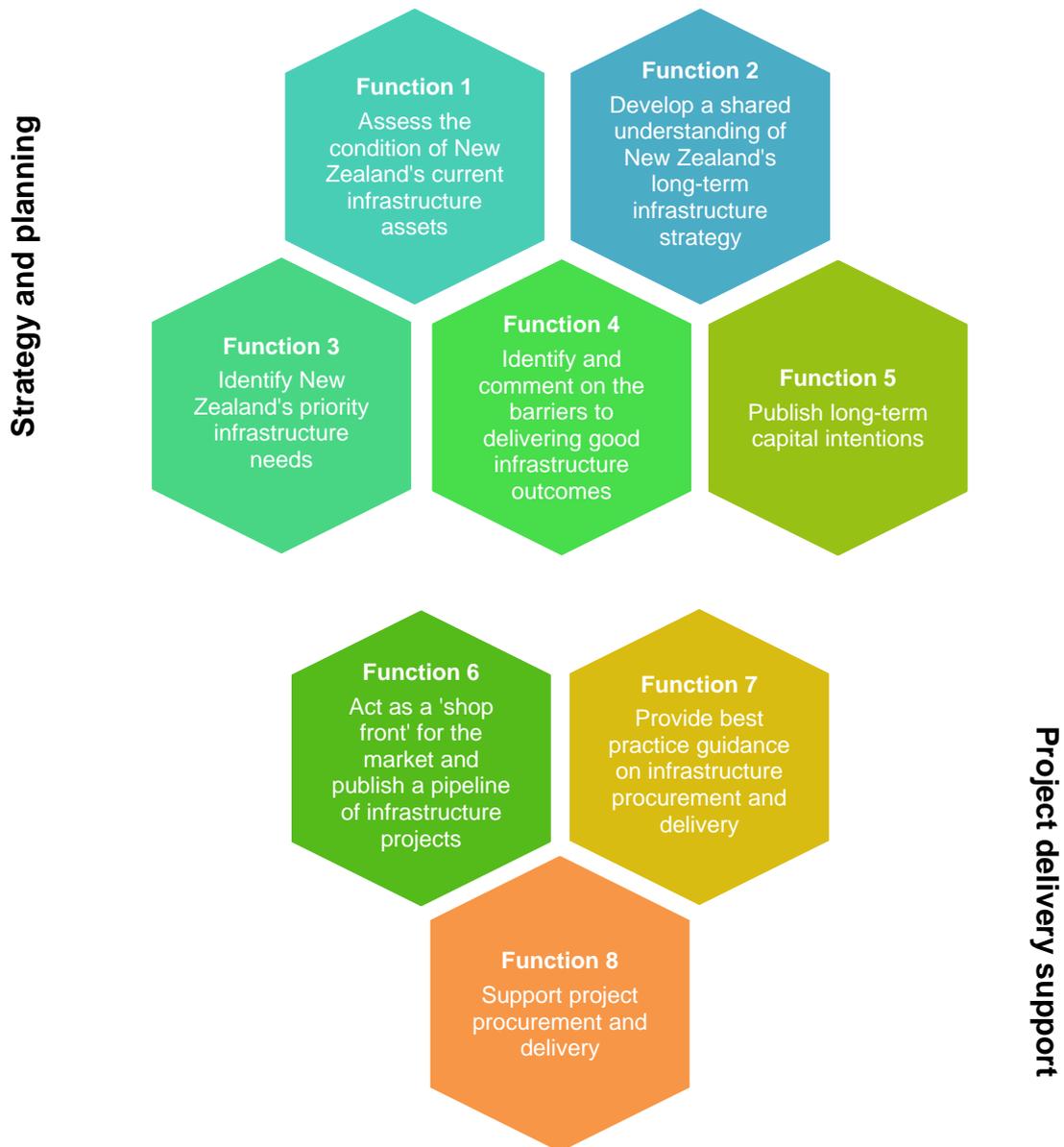
What happens next?

Submissions on this consultation close on 26 October 2018 and the Treasury will advise Ministers on the outcome of that consultation as part of their advice described above. The Government intends the new entity to be established by mid-late 2019.

In advance of the new independent infrastructure body being established, an interim infrastructure transactions unit (interim ITU) will be established within the Treasury from 1 November 2018. The purpose of the interim ITU is to provide support to agencies on the planning and delivery of major infrastructure projects while the new independent infrastructure body is being established. The interim ITU's ability to support such projects will build gradually over time from 1 November 2018 as its resourcing and capability is developed. The interim ITU will move into the new independent infrastructure body when established.

The proposal

The Government is proposing that the new independent infrastructure body carry out functions spanning two broad areas – strategy and planning, and project delivery support.



Strategy and planning functions

Proposed Function 1 | Assess the condition of New Zealand's infrastructure assets

To understand our infrastructure needs for the future, we first need to understand what we currently have. The independent infrastructure body would gather information from infrastructure asset owners across central government, local government and the private sector to take stock of our existing assets, their condition, and ability to meet levels of service to build a picture of New Zealand's infrastructure baseline.

This stocktake would form the evidence base for the independent infrastructure body to use in leading the development of a long-term infrastructure strategy (refer proposed [Function 2](#)).

Example: *Infrastructure Australia (IA) Infrastructure Audit*

IA's audit determines the adequacy, capacity and condition of nationally significant infrastructure (transport, energy, communications and water infrastructure) taking into account forecast growth (particularly population and economic growth) and economic, social and environmental sustainability.

It considers the future demand for infrastructure over the next 15 years, and delivers an evidence base for further gap analysis, long term planning and future investment priorities.

Proposed Function 2 | Develop a shared understanding of New Zealand's long-term infrastructure strategy

The independent infrastructure body could develop a long-term infrastructure strategy for New Zealand.

The strategy would take a long-term view of future challenges and solutions for infrastructure investment, considering projects, policies, service levels, institutional capability and capacity, funding, regulation and non-asset solutions.

There are options around the design of the strategy, such as:

- ▶ the period of time it should cover
- ▶ scenario analysis
- ▶ requirements for the Minister and/or Government to adopt or respond to the strategy
- ▶ requirements for agencies to align plans to strategy
- ▶ the frequency of review
- ▶ requirements for consultation on draft strategies, and
- ▶ the extent to which the independent infrastructure body must give effect or have regard to particular policy statements, standards or other instruments.

Example 1: *Infrastructure Victoria*

Infrastructure Victoria is an independent statutory authority, which provides expert advice and guides decision-making on Victoria's infrastructure needs and priorities. Infrastructure Victoria is not subject to direction or control of the Minister when it performs functions such as development of the 30-year infrastructure strategy.

Infrastructure Victoria's strategy assesses the current state of infrastructure in Victoria, identifies Victoria's infrastructure needs and priorities over 30 years, and is reviewed every 3-5 years. The strategy is tabled in Parliament and the Government is required to provide a formal response.

Example 2: *Infrastructure New South Wales (INSW) State Infrastructure Strategy*

INSW develops a 20-year strategy setting out the current state of New South Wales (NSW) infrastructure needs and priorities over the next 20 years, reviewing it every five years, unless directed earlier by the Premier.

In preparing or reviewing the strategy, INSW must have regard to any State strategic priority as advised by the Premier. INSW prepares and submits the strategy to the Premier, who considers the strategy and can either adopt it with, or without amendments, or refer it back to INSW for further consideration.

Proposed Function 3 | Identify New Zealand's priority infrastructure needs

The independent infrastructure body could develop its view of New Zealand's priority infrastructure needs to deliver a long-term infrastructure strategy. This would enable the Minister for Infrastructure to lead informed, evidence-based discussions with his/her colleagues about the Government's highest priority infrastructure.

Priority infrastructure needs would be assessed against analysis that takes account of environmental, economic, social and cultural outcomes. This would ensure that prioritisation of infrastructure has regard to longer-term objectives, such as the Government's carbon neutrality objectives, population change, the impact of new technologies, climate change and other strategic priorities.

The independent infrastructure body would draw on conversations with, and information from, government agencies' capital plans, ministerial priorities, councils' long-term plans, and the body's own work around the state of New Zealand's infrastructure networks.

There are options around how the independent infrastructure body could deliver on this function, such as:

- ▶ requirements for the Minister and/or Government to adopt or respond to priority infrastructure needs
- ▶ requirements for agencies to align plans with the priority infrastructure needs, and
- ▶ the extent to which the infrastructure body must give effect or have regard to particular policy statements, standards or other instruments.

Example: *Infrastructure Australia's (IA) Priority Lists*

IA produces priority lists, which are developed in collaboration with State governments and industry, while retaining IA's objectivity and independence.

Priority lists contain two categories: initiatives and projects. Initiatives and projects are identified as either being 'high priority' or 'priority'.

Decisions about funding infrastructure investments are ultimately made by governments and the market. Priority lists do not provide specific funding recommendations, or endorse particular investments. Rather it sets out a detailed, independent and transparently-evaluated view of opportunities to deliver better infrastructure.

Proposed Function 4 | Identify and publicly comment on the barriers to delivering good infrastructure outcomes

There may be some parts of the planning, governance, funding, regulatory, delivery system and market, which are getting in the way of achieving high-value infrastructure outcomes. The independent infrastructure body could conduct research and publish reports or advice that highlight opportunities to improve infrastructure outcomes.

Example 1: *United Kingdom National Infrastructure Commission*

The United Kingdom's National Infrastructure Commission (NIC) provides the United Kingdom government with impartial, expert advice on major long-term infrastructure challenges. It is an executive agency of HM Treasury, and derives its independence from a charter setting out the balance of responsibility between the government and the NIC.

The NIC carries out studies on pressing infrastructure challenges. The government sets the specific topic of each study. The NIC's studies include recommendations to the government, and the government has committed to issuing a formal response to all the recommendations contained in the NIC's reports, stating clearly whether the government accepts or rejects the recommendations.

Example 2: *Infrastructure Victoria*

Infrastructure Victoria aims to improve public debate and consensus about priority infrastructure for Victoria. One of its three key roles involves publishing research on infrastructure matters.

In 2016, Infrastructure Victoria published a discussion document exploring the options, challenges and opportunities for transport network pricing in Victoria. In carrying out this research function, Infrastructure Victoria is not subject to direction or control of the Minister.

Proposed Function 5 | Publish long-term capital intentions

Capital intentions plans would draw on agency long-term plans, local government long-term plans and private sector data to gather a New Zealand wide picture of infrastructure investment intentions over a 10-year horizon.

Currently, the Treasury's National Infrastructure Unit has published [Capital Intentions Plans](#) since 2014. Previous Capital Intentions Plans have brought together data from agency long-term plans, councils' long-term plans and company annual reports across transport, three waters (drinking, waste and storm), energy, schools, hospitals, prisons, civic amenities, housing and other infrastructure, like flood embankments.

The Capital Intentions Plans present the data in numerous ways, including by sector and region.

Example: *HM Treasury & Infrastructure and Projects Authority (UK)*

The HM Treasury and Infrastructure & Projects Authority provide a view of the total value of public and private investment across economic and social infrastructure over a period of 10 years. It covers projects, programmes, and other investments that are not yet allocated to specific projects or programmes.

Procurement and delivery support functions

The following sections describe some of the possible procurement and delivery support functions that a new independent infrastructure body could provide.

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

The independent infrastructure body could act as a first point of contact for all interested parties on future significant infrastructure projects and provide advice on the state of the New Zealand infrastructure market.

The independent infrastructure body could also be responsible for collating, publishing and promoting a pipeline of committed (and reasonably anticipated) infrastructure projects to provide greater certainty to the market.

The independent infrastructure body could also work closely with similar infrastructure bodies in Australia to promote a single Australasian infrastructure market.

Example 1: *Infrastructure New South Wales (INSW)*

INSW assists the NSW Government in identifying and prioritising the delivery of critical public infrastructure for the State, including through engaging with the market on infrastructure projects.

It also publishes and promotes a NSW Infrastructure Pipeline to assist in attracting private sector involvement in State infrastructure projects. The pipeline proposals include both fully funded projects and projects that are not yet funded, but which are expected to come to market in the next three to five years. To ensure information is up-to-date, the pipeline is reviewed and updated every six months.

Example 2: *Infrastructure and Projects Authority (IPA) United Kingdom*

IPA helps create market confidence by providing foresight and transparency on a future pipeline of projects, establishing financial policies and products to support private investment and ensuring government priorities are consistent and clear so the market can plan.

Proposed Function 7 | Provide best practice guidance on infrastructure procurement and delivery

The independent infrastructure body could provide best practice guidance to support consistent and transparent approaches to infrastructure procurement and delivery.

This could include the standardisation of procurement processes and documentation to improve the consistency and efficiency of infrastructure procurement.

The independent infrastructure body could provide guidance on, and support for, the governance of major infrastructure projects and the management of major infrastructure contracts, including capturing lessons learnt from previous infrastructure projects.

The independent infrastructure body could also develop new, and enhance existing, procurement models.

Example 1: *Infrastructure and Project Authority (IPA) UK*

IPA engages with functions across Government and with professional bodies to set standards for how projects should be delivered. It develops, formulates and supports the implementation of policy related to infrastructure and major projects to improve project outcomes. It also develops the skills and capability of people who deliver infrastructure and major projects.

Example 2: *Infrastructure New South Wales (INSW)*

The NSW Government Construction Leadership Group, led by INSW, has recently established a ten-point action plan to drive reform across government in the delivery of infrastructure and building projects, which will be turned into a program of specific measures.

Proposed Function 8 | Provide project procurement and delivery support

The independent infrastructure body could support the procurement and delivery of significant infrastructure projects by central and local government, including through providing early assistance with the preparation of business cases for such projects.

The independent infrastructure body could also provide support through the project delivery phase, including on project governance, and through embedding commercial and procurement expertise into project teams and providing support through the appointment process for key advisors and project personnel.

When requested by ministers, the body could also be directly responsible for the procurement and delivery of specified central government infrastructure projects.

Example 1: *Infrastructure and Projects Authority (IPA) UK*

IPA provides expert commercial and technical support to government departments and industry to support the successful delivery of high-risk and major infrastructure projects. It can deploy commercial specialists into project teams to strengthen client capability.

Example 2: *Infrastructure New South Wales (INSW)*

Projects NSW, a specialist unit within INSW, is responsible for managing the procurement and delivery of nominated priority infrastructure projects. It has the commercial experience required to engage with the private sector and negotiate value for money outcomes and works in partnership with nominated NSW Government agencies. The number of projects nominated for management by Projects NSW is likely to increase as more projects in the State's infrastructure pipeline go from planning to delivery.

Questions

Overall – *what do you think?*

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)?
2. What relationship should the independent infrastructure body have with the government?
 - a. In particular, what level and form of independence does the body need to be credible and influential from your perspective?
 - b. Should the level and form of independence vary according to the different functions? If yes, please elaborate.

Possible functions – *what do you think?*

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)?

The Treasury has proposed the new body would have the following functions:

- *Assess the condition of New Zealand's infrastructure assets*
 - *Develop a shared understanding of New Zealand's long-term infrastructure strategy*
 - *Identify New Zealand's highest priority infrastructure needs*
 - *Identify and comment on the barriers to delivering good infrastructure outcomes*
 - *Publish long-term capital intentions*
 - *Act as a 'shop front' for the market including publish a pipeline of infrastructure projects*
 - *Provide project procurement and delivery support*
 - *Provide best practice guidance on project procurement and delivery*
4. Are there any other functions, in addition to the proposed list above, the new 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).
 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?

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

Project delivery and support – *what do you think?*

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?

Other comments

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.