

The Treasury

Submissions on a New Independent Infrastructure Body Information Release

February 2019

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Auckland Council Submission: Government's Proposed Independent Infrastructure Body



Date: 26 October 2018

*He mihi ki te kaahui tūpuna,
te taura-here mō tātou te muka tāngata,
ki ngā mana ātua, kia tau te mauri.*

*He kura tangihia, he maimai aroha,
rātou kua whetūrangitia ki a rātou
tātou te hunga mata-rerehua ki a tātou*

*E ngā mana, e ngā reo, e ngā karangatanga maha,
tēnā rā koutou katoa.*

1. Overview

This is Auckland Council's submission in response to the Government's proposed new independent infrastructure body.

The address for service is Auckland Council, Private Bag 92300, Victoria Street West, Auckland 1142. Please direct any enquiries to Jim Fraser, Principal Transport Advisor, Auckland Council.

This submission has been approved by the Governing Body of Auckland Council.

2. Introduction and Summary

Thank you for the opportunity to submit on the government's proposed new Independent Infrastructure Body (the Body).

Auckland's infrastructure directly supports how well the city and region functions. Many infrastructure assets last for a long time and provide services for several decades. How Auckland grows and changes over the next 30-years and beyond will affect the performance of current infrastructure and future investment needs.

Auckland needs infrastructure that can cope with increasing demand as the city grows, a changing environment and that meets community expectations for service delivery. Auckland's infrastructure needs to keep up with the pace and scale of growth.

Submission Summary:

Our key submission points are:

- **support** for the establishment of a new independent infrastructure body
- **support** for the new independent infrastructure body to carry out functions spanning the two broad areas of strategy and planning, and project delivery support
- **support** for the development of a long-term infrastructure strategy for New Zealand
- **request** for clarification on how “Function 3 - Identifying New Zealand’s priority infrastructure” is to be undertaken and **advise** that Council would be keen to work with Government on the development of a prioritisation framework and criteria for identifying priority infrastructure needs
- **support** for publishing a pipeline of infrastructure and a **view** that the pipeline should be promoted locally and internationally
- **views** on the nature of procurement and delivery support that would be of assistance
- **views** on how the new independent infrastructure body would best assist local government to support and deliver infrastructure projects
- **request** that solid waste and recycling be included in the definition of significant infrastructure.

These main submission points are expanded upon below.

3. A new independent infrastructure body is required

Council supports the establishment of a new independent infrastructure body to advise Government and the wider public and private sector on infrastructure matters across all New Zealand.

The arrangement of New Zealand’s public services has, in the past, not always resulted in the best long-term public outcomes. A new independent body has the potential to achieve far greater integration amongst infrastructure classes, with a more specific focus on delivering a broader range of outcomes (compared to ‘class’ restricted outputs). It also has the potential to help bring about improvements in the capacity and capability of the industry. Both these aspects will however only be achieved if the Body works closely with all players.

It is also worth noting that central and local government bodies provide a range of services which require investment in infrastructure. Changing technologies, expectations of environmental performance and priorities around resilience and climate change have made the planning, coordination and procurement of infrastructure much more complex in recent times.

Dedicated bodies which harbour and foster expertise in the delivery of public infrastructure services are a common response internationally to the challenge of

increasing procurement complexity and a similar response here is highly likely to result in improved capital efficiency. There is however a potential danger in one body having both strategy and delivery functions – this is further elaborated on in section 4 below.

4. Support for the proposed functions

Council supports the proposal to establish the Body to carry out the proposed functions

An independent assessment of the state of New Zealand's infrastructure assets and advice on the nation's long-term infrastructure needs are important aspects of creating a long-term pipeline of infrastructure investment. It will also assist to ensure we invest in the 'right' infrastructure, especially considering the lead-in times and costs associated with such investment. Council also supports the principle of focusing on outcomes rather than necessarily new infrastructure.

A word of caution though. The two 'groups' of functions proposed for the independent body, strategy and planning on the one hand and project delivery support on the other, are not complimentary functions and require different skill sets.

The Body could find the delivery support function becomes burdensome and a distraction from its other core functions. It may also be perceived as compromising its independence, especially if it is heavily engaged in supporting specific projects.

Notwithstanding, both aspects are important if New Zealand's infrastructure is to be improved. Careful thought should therefore be given to the most appropriate - and most likely to be successful over the long term – way that these functions can be established and performed.

5. Support for the development of a long-term infrastructure strategy

Council supports the intention to develop a long-term infrastructure strategy for New Zealand. It suggests, however, that the following would ensure that this strategy would be effective and help overcome the current issues identified by the Treasury review on current institutional settings:

- the long-term strategy should cover a 30-year time period, consistent with long term project evaluation analyses
- different infrastructure investment scenarios should be both tested and published, highlighting the strengths and weaknesses of various approaches
- the Government should be required to respond to the strategy, either by adopting its recommendations or publishing reasons for its different view. This requirement is critical for the Body to have influence and standing
- agencies need 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.

- consultation on the strategy should be required, noting that feedback from stakeholders is critical for the Body remaining informed of all issues likely to impact infrastructure over the medium-long term
- local authorities need to be consulted on draft strategies. Council needs to have the option to advise on the interrelation of proposals on legislation, planning, and financing and delivery of local authority works
- Council supports that Long-term Plans get a formal response from central government. By referring to the local authority with comments for further consideration or 'please explain' if there are elements that are not in alignment, there will be more rigour and inter-agency planning outcomes to deliver on the intent of the Body.

6. Function 3 - Identifying New Zealand's priority infrastructure needs

Council requests clarification on how "Function 3 - Identifying New Zealand's priority infrastructure" is to be undertaken, specifically:

- how will priorities be set and what will be the decision-making process to set these?
- how will they link with other Ministers' priorities?
- how will they link with local government priorities?
- which infrastructure classes and spatial areas will take priority?
- what is the jurisdiction of local authority projects identified as being of national significance?
- is it the intent that local authorities' re-phase and prioritise projects to enable national infrastructure projects?

This potentially has a significant impact on the way local government plans, finances and approves spending on infrastructure.

Auckland Council acknowledges that it is the intention of the entity to draw on council's Long-term Plans in developing its view on New Zealand's priority infrastructure needs to deliver a long-term strategy. Something that needs further consideration is the potential for misalignment between Long-term Plans and the strategy. Council would wish to see that it was treated in a similar manner to what is proposed for central government, i.e. that decisions on which it has legislative remit for, are made by its elected members.

Council would be keen to work with Government in developing its approach to identifying priority infrastructure needs, i.e. a framework and criteria for prioritising infrastructure and triggers for new or improved infrastructure requirements.

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

Council supports the Body acting as a first point of contact on future significant infrastructure projects.

In addition to collating and publishing the pipeline, the Body should also play a role in promoting the pipeline of projects, both locally and overseas. International promotion could widen the scope of players in the market and bring wider expertise to the market.

Auckland Council is also of the view that the industry will benefit from the pipeline in that it will enable them to better plan for capacity and skill requirements. This has the potential to help smooth out demand and boom/bust cycles.

However, the success of this function is highly contingent on the credibility of the pipeline of capital intentions. This is a key signalling device for the infrastructure market. Without this credibility it will do little for the market.

An additional constraint is that priorities change; governments and councils change, over time new information comes to light and changes what should be built when etc. This complicates the credibility of the signals given to the market – all the more important therefore that the pipeline aligns with capital intentions.

Because funding plans do not go beyond 10 years – at least not for central and local government – this function of the independent body must be supported by other measures to give more confidence to the market, including procurement arrangements that allow firms to gear up and maintain capacity over time.

8. Function 8 – Provide project procurement and delivery support

It is Auckland Council's view that this support should be outcomes focused and include consulting advise on procurement. Support in selecting appropriate contracting models and tailored go-to-market approaches would be of particular assistance.

Council would be keen to further discuss with Government what best practice procurement and delivery support could look like.

9. Assisting local government to support and deliver infrastructure projects.

Council is of the view that the Body would best assist local government by:

- developing a pipeline of decisions on infrastructure investment that could overcome electoral cycles and provide greater planning certainty for infrastructure providers and industry
- giving local authorities the time to align with new agreed strategic infrastructure projects that the local authorities will need to support through local infrastructure
- providing a forum for central government, local government, utility providers and large investors in housing and employment land to align planning and investment spend regionally, in particularly in Auckland with the concentration of investment required to respond to growth
- aligning timing and financing of central government projects with local authority projects in growth areas
- where strategic initiatives are over and above basic local authority service provision but are required to meet central government strategic objectives, provide funding to local authorities to deliver.

10. Inclusion of solid waste and recycling as necessary infrastructure

Council suggests that the definition of infrastructure be expanded to include those assets, systems and facilities necessary for waste and recycling collection, processing, reprocessing and disposal purposes. Traditionally the waste industry's infrastructure requirements are not considered for major infrastructure planning purposes and as a result the industry and local authorities are currently struggling to keep up with population growth, increased demand and changing needs.

In the past, each local authority has taken its own approach to solid waste collection, processing and disposal. This has created a fragmented response to waste management that misses out on economies of scale and means that many communities have poor access to recycling services. There is need for better central government direction to develop a New Zealand-wide approach to recyclables processing.

By including waste and recycling infrastructure as a part of the Body's scope of works, New Zealand will be more equipped to develop infrastructure needs that enable a circular economy, allowing waste to be turned into commodities and resources.

Auckland Council would welcome the opportunity to further discuss the prospects that come with waste and recycling as infrastructure with the Treasury or Minister.