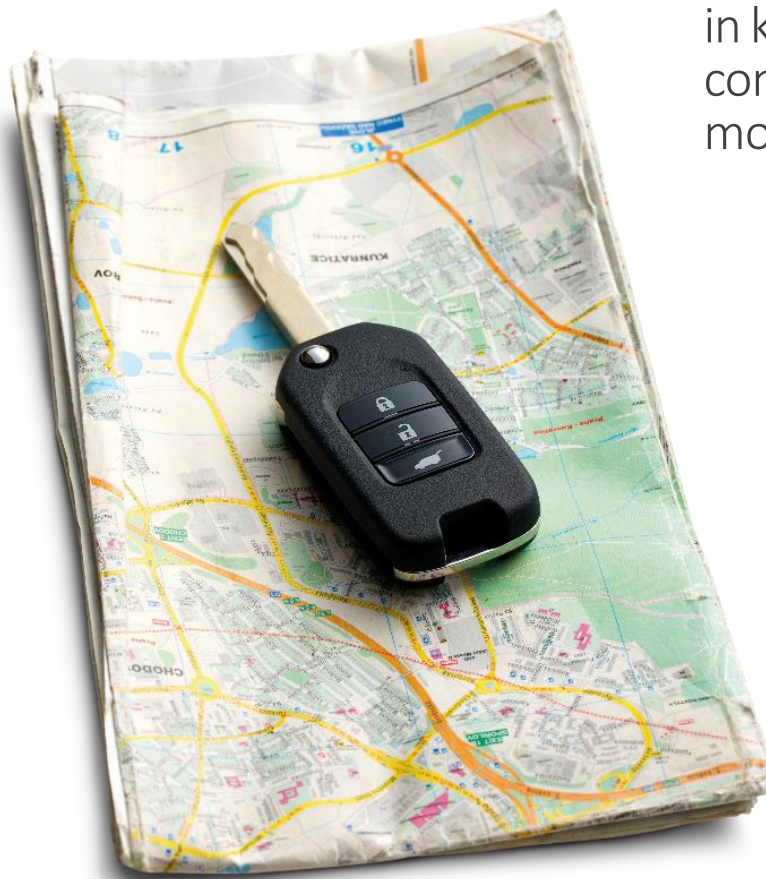


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New Zealand Infrastructure Commission/Te Waihanga Bill

Local Government New Zealand's submission to the Finance and
Expenditure Committee

17 May 2019

We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's Vision: "Local democracy powering community and national success."

Preface

LGNZ notes that this Bill has the sole focus of a Crown entity tasked with coordination for infrastructure planning, in providing advice and in showcasing best practice. LGNZ will not argue the merit of these ideas, but does note local government is part of a group of stakeholders/owners who employ a significant number of people and large quantities of resources that help fill the national infrastructure "storefront".

By the diverse nature of local government, and the democratically guided structure by which it makes decisions, the coordination of infrastructure projects across 78 councils will be a significantly difficult task. A country divided across two islands, having widely varying infrastructure types and quantities that operate in diverse environmental conditions all add layers of complexity in planned procurement and in creating a national picture.

Inclusion of all stakeholders (public and private) will require strong engagement and close coordination to create worthwhile and useful products that provide clarity in the market and direction for policy and investment. LGNZ provides the following key recommendations as Government has traditionally attempted to apply broad and general packages of solutions, where in this case, detailed analysis and coordination is a requirement for the proposed Bill.

Key Recommendations

1. Clarity is needed on the gaps that this Commission will fill, and increased understanding of what activities it will and will not undertake. Also, there are several private and public organisations that cover noted subjects and activities, and it is unclear how tasking a central government agency with "coordinating and facilitating" role will meaningfully improve the status quo.

Recommendation: LGNZ strongly recommends creation of a draft Government Department Strategy (GDS) that details the focus of the Commission to maximise national benefit through targeted infrastructure planning, and to undertake a stocktake of what infrastructure information functions are already being performed elsewhere to assess whether these can be incorporated to avoid duplication to underpin clarity of purpose to be used in proposed legislation.

2. It is noted that there will be between three and seven members on the Commission. However, no reference is made as to the general composition of the Commission. We recommend that at least one of these members have relevant local government experience, specifically infrastructure, management and capital investment. This is because the local government sector is a major provider of infrastructure in New Zealand that operates under a bespoke and nuanced set of legislative requirements that guide decision-making. To illustrate, local government owns \$136 billion of infrastructure, including all water infrastructure and 88 per cent of the roads.

Recommendation: Language in the proposed legislation should be specific that the Commission be comprised of stakeholder nominated members and approved by Cabinet. At least one Cabinet approved member must hold a deep understanding of local government infrastructure.

3. Reporting must be coordinated in alignment with existing Government and local government infrastructure planning. For example, one of the most disruptive elements in council infrastructure planning is that the GPS on land transport does not align well with council's Long Term Plan review and approval schedule (which Government mandated in the Local Government Act).

Recommendation: Within the proposed legislation, align report timing so that local councils can appropriately utilise Commission research and planning to inform all 78 long-term plans (at three or six year intervals).

Introduction

Thank you for the opportunity to submit on the New Zealand Infrastructure Commission/Te Waihanganga Bill (Bill). LGNZ recognises and appreciates Government raising this issue as a priority and looks forward to further engagement on infrastructure planning and provision.

To begin, LGNZ's response will primarily reference and follow the explanatory note, and reference specific parts of the Bill as necessary.

The introduction of the explanatory note, and Section 2 Subpart 2, notes the purpose statement of the commission: "co-ordinating, developing, and promoting an approach to infrastructure that encourages infrastructure, and services that result from infrastructure, that improve the well-being of New Zealanders". We recommend further engagement with the stakeholders to consider refining this statement for clarity. Importantly, the statement does not include what the Commission will not do, and hence clarity around its parameters is opaque. LGNZ recommends incorporating language into proposed legislation that requires the creation of a commission strategy (with updates as needed).

The introduction of the explanatory note highlights that the Commission will address existing challenges to the way New Zealand plans for and delivers infrastructure, referencing that planning and funding decisions are not linked to an overarching vision or strategy. Regarding local government, this is untrue. Local councils are required by statute to implement, every three years, a long-term plan, that includes a 30-year infrastructure strategy and associated financial plan. Clarity should be made that a bridge can be created between Government and local government planning with a Commission outlining possible coordination and long-term planning for all infrastructure.

LGNZ applauds the focus on well-beings, particularly as they have been reintroduced into the Local Government Act. Further, we broadly support increasing public engagement on infrastructure strategies and enabling coordination of planning. However, at an initial engagement session with Government held by Treasury, it was noted that a body should have "teeth", meaning more than advisory as may be found in the Productivity Commission.

As such, LGNZ disagrees that the Commission be solely "advisory". Measured against other central government investments, operations, maintenance, renewals and capital investment in physical infrastructure, such as roading, is one of the least partisan issues. If evidence-based decisions are made for investment, non-political drivers should be guiding master planning and strategic investment. Further, we believe the approach to infrastructure is evolving and recent population change as well as future demographic and climate change ensures that "just in time" capital investment as well as operations and maintenance activities will not suffice to meet New Zealand's growing demands.

As an additional note, it would be beneficial to define the Infrastructure Commission's role in relation to other new and existing ministries and agencies.

Functions

It is understood that the Commission's main function will be to co-ordinate, develop and promote an approach to infrastructure and services that improves the well-being of New Zealanders. Key in executing its objectives in strategy and planning as well as support, is that the Commission does not intend for councils to perform the "heavy lifting". LGNZ supports this approach, and emphasizes that councils are creatures of statute. As such, councils frequently suffer from Government survey and data gathering that meet objectives of NZ Inc. As a new Commission, budget, staff and tasks must be appropriately aligned to meet reasonable objectives and functions for the benefit of both local and central government.

Strategy and planning functions

LGNZ is encouraged by some of the objectives in the explanatory note under this heading, and others it finds surprising. As a coordinating body, local government welcomes a sole organisation acting to build a national picture of New Zealand infrastructure. We also encourage consolidation of existing information and investment from council long-term plans. Understanding by local councils that their investment planning would be consolidated into a national picture would increase emphasis and importance of those plans.

However, creation of a view of priority infrastructure investments "over and above those that have already been committed to be decision makers" would simply reflect a place in time and is likely to change given demographic, investment and technological trends. Decisions in large investments are made on an incremental basis and this particular activity may find limited use.

Strategy report for priorities for the next 30 years, and Government response

As local councils are already statutorily required to develop 30-year infrastructure plan, we support the initiative for Government to create plans that support the development of a national picture. However, and perhaps one of the most critical issues for creation of this Commission, is that a report developed every five years does not align with council LTP planning. Further, it doesn't align with timing the Government's own infrastructure policy and planning documents, including the GPS on land transport.

A report published every five years will not hold the same weight in planning at the local level as one that is created every three or six years and that is in reporting alignment to inform council long-term plans. Further, LGNZ recommends that the legislation ensure that elections do not interfere with report completion. As such, LGNZ recommends amending Clauses 14 and 15 under Subpart 3 per the above-referenced recommendations. Further evidence of LGNZ's position is reflected by local councils and NZTA efforts to re-direct work and delivery of funding to meet new policy settings from a revised 2018 GPS on land transport.

Again, subject to community guidance, long-term infrastructure planning should be predicated on non-partisan decisions and empirical evidence. Government actually relies on this position for operational delivery of infrastructure regularly. For example, NZTA's predicated its own business case development models on investment logic mapping, and requires local councils to do the same. This process should transcend up to a neutral policy stance that the right infrastructure is planned for the right location at the right time to meet national objectives.

A critical issue that the Commission will have to overcome is the diversity of local government. To put this into perspective, there are 78 local bodies that are subject to the Local Government Act 2002. This includes 11 regional council, and 67 territorial councils, consisting of 11 city councils, 50 district councils, and six unitary councils. Each of these bodies undertake their own LTP development and review processes.

Reports on matters relating to infrastructure

Under Subpart 4, LGNZ believes it is acceptable that the Minister be able to request a report. However, again, LGNZ has suggested that legislation should outline that the Commission have a strategy, which in turn

should more precisely outline its scope of work and definition of “infrastructure”. If fulfilled, this request will assist in focusing the Minister’s report requests to align with intended outcomes of the Commission’s work.

Support functions

LGNZ notes that further evaluation of commission activities should be considered. The three bullet-points noted in the explanatory note highlight activities that already occur. There are gaps, but highlighting these points makes the Commission appear a “solution looking for a problem”.

More specifically, there are many areas and professional bodies (both private and public) working in New Zealand, including the:

- Institute of Public Works Engineering Australia (IPWEA) with sub-groups such as National Asset Management Support (NAMS) and Road Infrastructure Management Forum (RIMS) among many others;
- National Infrastructure Advisory Board that participates in the Australia New Zealand Infrastructure Pipeline.
- Investment Performance and Asset Management Team within Treasury; and
- The New Zealand Government Procurement and Property branch of MBIE, which operates a commercial pool of experts.

Careful consideration to identify gaps in areas around existing works as well as to coordinate data and information is crucial to the Commission’s success. Duplication, additional data calls, and further surveys will only add to workloads and perhaps confusion in a complex space.

Support service for central and local government infrastructure projects

Local government welcomes additional support in planning and executing infrastructure projects. There are several examples where existing coordination with government agencies (eg Tarawhiti Roads) has yielded beneficial outcomes both locally and regionally.

Information-gathering powers

LGNZ has no comment on information gathering powers.

Conclusion

In summary, LGNZ believes the purpose of the proposed Commission should be more clearly defined with roles and responsibilities clearly outlined, and for the Commission to have real authority to guide planning. As it currently stands, there is considerable opportunity for duplication, and as a result, confusion in infrastructure planning. Further, clarity of where this Commission will be placed in relation to existing agencies, such as NZTA, as well as emerging ones, such as Housing and Urban Development, is paramount.

LGNZ recommends four key changes to the draft legislation:

1. Bolster the legislative mandate by creating a draft Government Department Strategy and national gap analysis for the Commission to maximise national benefit through targeted infrastructure planning; and
2. Stakeholder nominated commission members approved by Cabinet, with at least one approved commission member holding a deep understanding of local government infrastructure;

3. Align report timing so that local councils can appropriately utilise Commission research and planning to inform all 78 long-term plans.

Thank you for the opportunity to comment on draft legislation.