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Infrastructure Commission  
DX SX33303  
Wellington

Attention: Submissions on Infrastructure Strategy

Dear Sir/Madam

## Submission on Infrastructure for a Better Future

The Taranaki Regional Council (“TRC”) thanks the Infrastructure Commission (“the Commission”) for the opportunity to submit on Infrastructure for a Better Future (“the Strategy”).

As a regional council, TRC’s interest in infrastructure strategies is twofold.

Firstly, TRC is focused on exercising its obligations under the Local Government Act 2002 to support the Taranaki community’s economic, environmental, social and cultural needs. Robust, viable, effective and efficient infrastructure (across many asset classes) is essential to promoting those well-beings. More specifically, our roles regarding transport strategy and setting land use strategies in Regional Policy Statements are examples of this focus.

Secondly, TRC’s interest in infrastructure extends to our position as owner of Port Taranaki Limited, regional gardens and flood protection schemes. As the Commission notes, transport infrastructure, in particular, is key for transitioning to low carbon futures and improving our regional and international connections.

Our comments below are made against the background of these two areas of interest.

### General Support for the Strategy

TRC supports the Commission’s work to develop the Strategy as a guidance document for infrastructure development and construction over the next 30 years. In particular, we support:

- Focusing on the three Action Areas of resilience, competitiveness/social needs and improving infrastructure planning, finance and delivery. These areas are the fundamental building blocks of successful infrastructure systems.
- Taking a broad approach, rather than simply focusing on one or two types of infrastructure. The systems are inevitably linked; with trade-offs and inter-dependencies between many disparate types of infrastructure system, both necessary and possible, if the three Action Areas are to be fully delivered.

- We support the Outcomes and Principles as key guidance to the decision making principles that support infrastructure investment.
- As a Council serving a mixed urban-rural community we support the Strategy's recognition that infrastructure can be place/community dependent. In this regard, we support the definition of infrastructure as also including "virtual assets", recognising the urban-rural "digital divide" and the recognition that different forms of transport solutions may be needed across the country.

### **Concern that the Strategy focuses on today's needs - not tomorrow's**

For all of the above positive factors, TRC reads the Strategy as primarily focusing on how to improve systems that will largely address current needs. Even with the much touted path to a zero carbon future, the Strategy is focusing on how to support a current transition, rather than the future state.

TRC notes that the Commission's "Sector State of Play" documents discuss "How is the Sector responding to What Might Come Next?". However, looking at the four documents published prior to the Strategy, we submit that they do not have the level of analysis of the future needs which should be the key focus of a forward looking strategy such as this.

By contrast, TRC would commend Infrastructure Australia's recent work on covid-19's impacts on Australian infrastructure needs as an approach worth consideration. That document included a more comprehensive analysis of recent trends, tried to determine if they were lasting or not and then discussed strategies to address and build future resilience.

We would submit that, prior to developing any specific measures to go forward, a more comprehensive future needs analysis is done - ideally by way of a number of workshops including a range of stakeholders across key regulatory, construction, financing, operating and consumer sectors.

### **Review, prioritise and stage the Strategy's laundry list of options**

The Strategy contains over sixty, numbered implementation options - plus, as per the point below, a number of options that are discussed, but not included in the list.

This list could serve as a foundation for a strategy; but only if the list is confirmed as complete (again, see below), prioritised on some form of value vs required effort scale and then organised into a time-bound structure. Without those extra steps, the list is simply a collection of ideas.

TRC strongly urges the Commission to triage the current options list, ideally with focused consultation (separate from this current process) with key stakeholders from affected sectors, to create the clear, concise and future focused strategy that is needed.

### **An apparent mis-match between the issues discussed and the identified options**

While the issue discussions and associated options lists are generally comprehensive and illuminating, there are a number of instances where they do not appear to gel.

For example, Option F1.6 (requiring local government assessment of spatial risks) is not discussed in the preceding sections. Similarly, Section S6 offers the strong suggestion of establishing a Project Management Office across government departments, but this idea is not one of the two options proposed for this section.

In other instances, Options appear to be missing from the report. For example, Section F2 starts at Option F2.2. Is there an Option F2.1 and, if so, what is it?

TRC is confused by the level of disconnect – and why it happens in so many places throughout the Strategy. We are particularly concerned that some options are proposed with little analysis (or opportunity for discussion) and that some other good ideas may inadvertently be being filtered out.

We would therefore respectfully submit that a thorough revisit of options is required – and should form a part of the more comprehensive consultation as recommended above.

### **Specific comments on matters raised in the Strategy**

As well as the more generalised comments above TRC offers the following specific comments on particular sections of the Strategy:

- While TRC supports the idea of regulatory frameworks tailored to the needs of increasing renewable energy uptake, we submit that the scope of F2.4 is too narrow. Off-shore wind is one of only a number of generation options which will place demands on the existing energy transmission and distribution infrastructure. Others forms range from district level distributed generation to medium scale hydro and larger scale wind or solar. Both the regulatory structure and financing models need to be developed or adapted to meet the needs of these projects – while maintaining environmental, social, cultural and economic bottom lines. Accordingly, we submit that F2.4 should be redrafted to recognise this scope.
- We are concerned that the discussion on the use of cost benefit analysis (CBA) across infrastructure projects paints a picture of gaps in knowledge and use of the models, but then does nothing to identify the sources of those gaps or suggest closure strategies. Experience is that there are both pockets of excellence and significant opportunities for improvement in knowledge and use of the full range of project management tools across the country. The context in which projects are developed will often influence anything from the input factors used to the level of rigour in using the outputs in project decision making. TRC would submit that the Commission could play a valuable role in helping to address this situation by using its position within, but separated from the demands of, the sector to build tools, processes and datasets focusing on factors like:
  - Ensuring that the proposed Project Management Academy approach (S6.1 of the Strategy) also includes capacity to train all project participants on CBA and related tools;
  - Strengthen and build consistency in data and tools for considering externalities and “public goods”. These elements are traditionally poorly priced and poorly considered in traditional financial and economic analysis;

- Helping to coordinate both techniques and metrics for key factors that are (or should be) considered in infrastructure CBA. This submission would strengthen and broaden the narrow, climate change focused suggestion in Option F1.6.
- TRC submits that the suggested minimum threshold for CBA in Option S4.2 is too high – and is contrary to the comments on CBA in the preceding pages. Experience is that capital intensive industries routinely work with significantly lower minimum thresholds (especially if the industry’s market conditions are tight). When the Commission notes such failings in infrastructure projects, such as Waka Kotahi’s \$1.1B overrun in a 3 year period, the clear signal is that tighter project management disciplines are required – including in setting initial project hurdles. Accordingly, we submit that the minimum threshold for requiring CBA should be set at a maximum of \$10m, or 10% of the agency total annual capital budget, whichever is the lower in a given circumstance.
- TRC submits that the discussion on decision making under uncertainty is a distraction and something of a red-herring. Local Government has been operating under this sort of environment for years and working with uncertain projections. We believe that data accuracy has been less of an impediment to decision quality than the elements that have supported or limited funding and our ability, as a sector, to invest.
- Discussions on urbanisation, population growth and housing infrastructure need to recognise the role that the rural hinterland plays in supporting those factors. TRC is particularly aware of the impact of growth into agricultural and horticultural areas in the Taranaki region. That expansion often eventually leads to the new residents seeking to limit the pre-existing activities, which they can feel are contrary to urban life. If those activities are pushed onto either more marginal land or further from the communities they serve, pressures on the more remote infrastructure (e.g., increased transport needs or energy loads on “thin” networks) increases. While TRC hopes that the proposed Spatial Planning Act will enable the sector to address these issues, we submit that the Strategy presents a strong opportunity to provide clear signals on this issue at a national level.
- The Strategy makes a number of references to the impacts of covid-19 on infrastructure. TRC submits that the Commission should undertake a detailed analysis of how the response to the virus (by governments, businesses, communities and individuals) has changed current and future infrastructure needs. As noted above, the Infrastructure Australia report provides a strong model for this type of analysis.
- TRC supports the call for a general increase in the level of knowledge and skill in project management delivery within key central and local government sector agencies. We do so noting similar patterns of excellence and opportunities for improvement as exist for use of CBA tools (see above). Again, the Commission’s place in the sector gives it a strong position to lead that development. While TRC generally supports Option S6.1, we would suggest the following changes:
  - As noted above, include development and use of CBA tools in this focus area.
  - Ensure that the groups engaged extend beyond the service providers who will ultimately deliver infrastructure projects. Experience from capital intensive industry (for example) is that there is much to be learned by looking broadly.
  - While we support the need for information and consistent training, we question the need for “an Academy”. That concept also runs a risk of building and reinforcing a narrow band of expertise

- Look at ways to attract suitably qualified and experienced project management professionals from diverse backgrounds into the sector.
- Infrastructure focused project management tools and learnings can be adapted to other projects (e.g., organisational change). These opportunities should be kept in mind and be part of the strategy when it is developed.

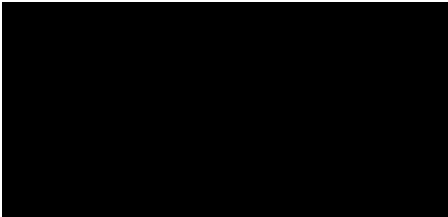
## **Conclusions**

TRC again thanks the Commission for the opportunity to comment on the Strategy.

TRC supports the Commission taking the broad approach to both defining and seeking to address infrastructure issues. We do however encourage the Commission to take a longer term view when defining New Zealand's infrastructure needs. Failing to do so risks preparing for today, rather than helping to secure a strong future for the country.

TRC is focused on exercising its statutory obligations to support the Taranaki community's economic, environmental, social and cultural needs – including infrastructure needs. We look forward to engaging positively and productively with the Commission as we execute that role.

Yours faithfully



**Chief Executive**