



Dr Alan Bollard
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Dear Alan

ANNUAL LETTER OF EXPECTATIONS

I am writing to convey my expectations for the New Zealand Infrastructure Commission, Te Waihangā in its inaugural year.

This letter outlines my general expectations about the step change in infrastructure outcomes the Government expects to see resulting from the creation of the Infrastructure Commission, Te Waihangā, and my expectations about the specific outputs the Commission should make progress on, or deliver, in its first year. This letter also outlines expectations for the performance of all Crown entities.

A Step Change in New Zealand's Infrastructure Outcomes

In creating the Commission, the Government wants to see a step change in the broad infrastructure sector so that this Government and future governments can make better investment decisions to improve the well-being of all New Zealanders. We also expect the Commission to develop a long-term infrastructure strategy and pipeline to boost certainty in the sector, and to help move the country away from typical, short-term thinking around infrastructure.

We are aware of various deficiencies in the institutional arrangements for infrastructure strategy, planning, procurement and decision-making in New Zealand. These include:

- A lack of integrated investment across central and local government.
- A lack of visibility, a pipeline and scale in New Zealand's infrastructure projects.
- The procurement capability of central and local government is at times lacking.

A successful Infrastructure Commission will make tangible improvements in the above areas.

As set out in the governing legislation, the Commission's main function is to coordinate, develop and promote an approach to infrastructure that serves the long-term economic and social well-being of New Zealanders.

The expectation is that the Commission's role (and the basis for its influence) is to operate as an expert body, and provide high-quality advice to the Government and to the agencies that are building and managing infrastructure. It is also expected that the Commission will work to build a consensus about what New Zealand's future infrastructure needs are and how best to address them.

A significant part of the Commission's leadership role is to provide an independent voice on various infrastructure proposals and strategies. I expect the Commission will be future-focused, transparent in its activities, and develop and maintain relationships with a broad spectrum of infrastructure stakeholders.

I expect the Commission to act as a constructive and critical friend that provides support to government agencies who are delivering infrastructure projects. I also expect the Commission to carry out its functions by working closely with central and local government, and the infrastructure industry.

Expectations for Progress or Delivery of Specific Outputs in Year One

I have some further expectations about specific outputs the Commission should progress or deliver in its first year, consistent with its statutory obligations. These expectations are:

Progress on a National Infrastructure Strategy

I note that the Act requires the Commission to prepare a national infrastructure strategy within two years of commencement of the legislation. The Responsible Minister provides their feedback by a prescribed process. My expectation is that the Commission will make demonstrable progress in developing a strategy over the next year. This progress will include engagement and consensus building work with stakeholders, and the gathering of the data and information that will underpin the evidence base for the strategy.

Climate change is a long-term challenge and integrating our thinking about climate change and infrastructure is an important part of helping move our country away from short-term thinking about infrastructure. I expect the national infrastructure strategy will be developed in a way that shows an awareness of New Zealand's climate change goals. I encourage the Commission to engage with the Climate Change Commission, when it is established, following the passage of the Climate Change Response (Zero Carbon) Amendment Bill.

An Up-to-Date and Promoted Infrastructure Pipeline

I also expect the Infrastructure Pipeline to continue to be updated in a timely manner as and when new information is available. The pipeline should be promoted as a source of information for the infrastructure sector.

Special Topic Reports

My further expectation for year one is the Commission will begin work on a schedule of special topic, or 'deep dive', reports in the infrastructure domain. These reports will be pieces of in-depth, evidence-based analysis on various aspects of infrastructure in New Zealand, with recommendations for improvements. These special topic reports will be in addition to further reports requested by the Responsible Minister under clause 20 of the Act.

Consistent with the Commission's autonomous role I will leave it to the Board to decide the topics for these special reports. However, my expectation as Responsible Minister is the Commission will discuss with me a schedule of the reports that will be initiated in the first year of the Commission's operation, and the prioritisation of these reports.

In considering its special topics work programme, the Government would like the Commission to consider its interest in a more efficient port sector, the opportunities for PPPs in the short to medium-term, and the future of the Upper North Island supply chain. I would welcome an opportunity to discuss your draft work programme at an appropriate time.

Statement of Intent / Statement of Performance Expectations

As an autonomous Crown entity, the Commission is required to deliver a Statement of Intent and a Statement of Performance Expectations. I expect the Commission will reflect on the content of this letter and engage with my Office and the Treasury in the development of these Statements, including agreeing a timeframe for their preparation. The Treasury has prepared guidance for Statements of Intent and Statements of Performance Expectations. This is available at, <https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/strategic-intentions-and-statements-intent>

Advice on Improving Infrastructure Procurement Practices

The Government considers there is room for substantial improvement in infrastructure procurement practises. The Act provides for the Commission to undertake work on procurement and I understand there is already a work programme underway in this area. Looking ahead, my expectation is that the Commission will engage with the relevant parts of the sector on this matter in its first year of operation. This engagement will focus on a dedicated programme of work to address this important dimension of overall infrastructure outcomes, and provide advice and recommendations as appropriate.

Recruitment of a Board member

I note there remains a vacancy on the Board of the Infrastructure Commission, Te Waihangā. My expectation as Responsible Minister is the Commission will work with the Treasury in the coming year to identify suitable candidates for this role, and bring a list of candidates to me for my consideration. This list should include candidates that would bring further skills, perspectives and diversity to the Board, including potentially international infrastructure experience.

Expectations of all Crown Entities

There are some general expectations the Government holds for all Crown entities. These expectations are:

Effective Governance

While acting as an autonomous advisory body, the Commission will operate within the parameters set for it by the Government and be transparent and accountable for its decisions. The Public Finance Act 1989 and the Crown Entities Act 2004 enable the framework for this. The directors of the Commission should familiarise themselves with the relevant provisions of these statutes. Of particular relevance to the activities of the Commission is the need for an autonomous Crown entity to 'have regard to' government policy.

The Board should draw on the relevant guidance and incorporate the principles of best practise Crown entity governance in providing oversight and direction to the Commission's activities. It is expected that this will include considering the need for a Board charter; establishing an operational structure, including the role of sub-committees; establishing a conflict of interest policy; and considering a delegated authority framework. The State Services Commission has prepared guidance for the governance of Crown entities, available at <https://ssc.govt.nz/our-work/crown-entities/>

Sound Financial Management

The Government expects that Boards of Crown entities will support the government in the effective and efficient management of public resources. For the Commission, this will mean the sound financial management of budget resources allocated to it, and a clear and transparent demonstration of value for money in the use of those resources.

Transparency and accountability for resources use is expected through reporting processes and documents. The Treasury has prepared guidance on the preparation of Annual Reports for Crown entities. This is available at, <https://treasury.govt.nz/publications/guide/preparing-annual-report-crown-entities>

No Surprises

Ministers expect all Crown institutions to operate in all their activities in the spirit of 'no surprises'. As Responsible Minister this means I expect the Commission to inform me well in advance of any material or significant events, transactions, risk and other issues that could be considered contentious, or could attract wide public interest, whether positive or negative.

Similarly, the Commission will provide independent advice to Ministers and their portfolio agencies. This also comes with the expectation that the Commission will work with those Ministers and their Officials on a 'no surprises' basis with respect to the content, timing, information management and publication of its infrastructure advice.

Diversity and Inclusion

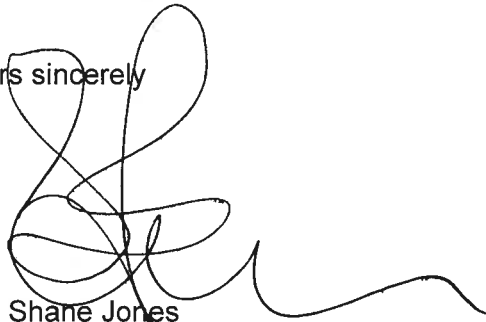
Consistent with government support for increased diversity and gender balance in the public service, Crown entities are encouraged to support diversity and inclusion in their workplace and leadership teams.

The Treasury's Monitoring Role

The Treasury will act as the Crown monitoring agency for the Infrastructure Commission's activities. My expectation is that the Commission will maintain a constructive and effective monitoring relationship with the Treasury, with an open exchange of relevant information and feedback.

Your Treasury relationship manager will contact you shortly to discuss my expectations in this letter in more detail. They will also be able to discuss the monitoring approach they intend to apply to the Commission's activities in its first year of operation.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Shane Jones', written over the text 'Yours sincerely'.

Hon Shane Jones
Minister for Infrastructure