

2 April 2020

**Minister Shane Jones**

**By Email**

**Copy Mark Binns**

**Chair of Infrastructure Industry Reference Group**

Dear Minister Jones,

Thank you very much for the chance to provide our ideas on the response to Covid-19. Infrastructure New Zealand represents 140 public and private sector industry members who are very keen to support New Zealand and its recovery from this extremely serious situation.

## A Pathway to Recovery

- The COVID-19 event will have a severe impact on the NZ economy and wider wellbeing.
- Infrastructure investment and construction will play a major role in the economic recovery programme because:
  - Government owns and operates most infrastructure
  - Benefits from infrastructure are generally non-specific to any group
  - Infrastructure generates significant employment
  - Infrastructure activities can be and are spread across different communities
  - The short-term economic benefits can, if well-conceived, result in longer term productivity, equity, environmental and quality of life improvements
- The Government's response for the infrastructure and construction sector has been quick, clear and commendable
  - The Construction Accord and Infrastructure Industry Reference Group initiatives are moving quickly, listening and responding to industry concerns and ideas
  - Early payment from NZTA and other public departments has helped cashflow



# Infrastructure New Zealand

- Clear signalling of a strong and immediate pipeline ahead is sustaining most of the sector, though construction remains under severe pressure
- There are two principle questions before the Government:
  1. How do we get construction (the infrastructure and development “coalface”) back underway so that the wider engineering, design, advisory etc sector can also restart?
  2. How do we ensure the resulting programme adds to long term national wellbeing and avoids ‘Think Big’ mistakes?

Since we started writing this document we have already moved on. We have included in Appendix 1 & 2 thoughts for the initial stages – most of which are well underway.

## 1. Establishing the [\$20 billion] National Recovery Programme

- We recommend Government establish an omnibus programme funding (say \$20 billion) which is over and above identified projects able to be accelerated by the Infrastructure Industry Reference Group (‘IIRG’).
- This is a programme of work, as yet undefined, but which could be rapidly co-designed and funded using rapid deployment techniques such as SCIRT or NCTIR.
- This programme funding may overlap and merge with IIRG at some point, but the critical piece is to allow Government flexibility and to co-design for the ‘new normal’ as opposed to just accelerating existing shovel ready projects.
- The immediate priority for the intermediate term is identifying a programme of work across New Zealand which rapidly supports the current and future economy. There are three main components:
  - i. Project and programme identification and prioritisation
    - ✓ Underway via the Infrastructure Industry Reference Group
    - There are five sectors with a known investment deficit:
      - I. Housing
      - II. Transport
      - III. Water
      - IV. Hospitals
      - V. Classrooms
    - In addition to sectors, all regions of New Zealand should create a wellbeing recovery plan tailored to local and national imperatives e.g. jobs, environment, housing, water etc)
      - I. Leverage existing economic development plans at regional level (e.g. Tai Tokerau Economic Development Plan)



- II. Regional arms of central government agencies at the table (majority of votes) with local government representatives and iwi/community interests
      - III. Government should provide additional grant funding to regions, local councils should leverage grants by borrowing (up to 2.5x grant funding, creating \$3.5 to invest per \$1 of grant)
    - Local Government owns 38% of NZ's infrastructure, not far from the Crown's 42% share of infrastructure assets
      - I. Local government could rapidly deploy local projects to assist SMEs but will need funding support
      - II. Please refer to the letter sent to Minister Robertson, copy Ministers Jones and others on 25 February for full details of how this could assist the Crown
    - Draft principles for prioritisation
      - I. A project must be shovel ready (or nearly shovel-ready)
      - II. A project must support local employment
      - III. A project must contribute to long term productivity, equity or environmental improvement (wellbeing definition needed here)
      - IV. Project must follow Government Social Procurement Rules – creating local jobs, apprenticeships, assisting community groups that need special assistance (e.g. Maori, Pasifika) and ensuring a significant percentage of local content/work for subcontractors to spread work towards SME's and up ply chain
  - ii. Project approval
    - New Act required to provide for:
      - Direct line reporting of Industry Reference Group to Cabinet
      - Streamlined resource consenting, including enhanced community consultation but at speed (use Chapman Tripp guidelines for this from NECTR alliance)
      - Streamlined procurement (open book, alliancing)
  - ii. Programme delivery
    - Delegated authority to the Industry Reference Group to deliver programmes
    - Open-book alliance partnerships like [SCIRT](#) (which rebuilt Christchurch) and [NCTIR](#) (which reconnected Kaikoura)

## 2. Strategic vision for the National Recovery Programme

- The immediate priority for the long term is to establish a “North Star” against which immediate and intermediate options can be assessed to ensure they align with a longer term strategic direction. There will need to be five components to the strategy:



# Infrastructure

## New Zealand

- i. A vision for where the Government sees New Zealand's future
  - Will the Government play more of a market supporting or market leading role?
  - What decisions and powers will be delegated away from the Government and what won't?
- ii. Long term strategic planning
  - Population strategy – where will people live and work? If NZ comes out of Covid early do we 'have our pick' of global talent to immigrate here and restart businesses & jobs? Half a million NZ citizens may want to return here – how do we support this?
  - Economic strategy – what jobs will they have and how will we grow incomes fairly?
  - Spatial strategy – what investments will support growth, economy & regions
- iii. Funding and financing
  - Who will pay for the investments and programmes to achieve the vision?
  - Every dollar spent on long term infrastructure will save a significant proportion of operating expenditure on welfare
  - How will they pay and who will decide?
  - How can private capital be leveraged to lesson public expenditures?
  - Create a National Rebuilding Fund – sourced from domestic Kiwisaver, Mums & Dads, iwi and institutions. Pay circa 1.5% above Govt bond (say 3.5% p.a.). Creates 'another balance sheet' aligned to Government objectives, money stays in NZ and could be used to achieve useful structural separation of key assets (e.g. could deconsolidate Watercare from Auckland Council, creating a national water champion and freeing up Auckland Council to spend large)
- iv. Regulations and incentives
  - Who will decide what activities can occur, when and how?
  - What taxes and other incentives will be used to lessen regulation?
  - Commerce Commission regulation on pure economic grounds (4% yield) doesn't align with a broader wellbeing approach – need to change settings to encourage innovation & investment by private sector, not government?
- v. Delivery capability and capacity
  - Who will be charged with implementing policy?
  - Will they have sole or joint responsibility?
  - Who will monitor their performance?

## Appendix 1: Immediate Issues

### 1. Getting construction back underway

- Three groups need to be satisfied that COVID-19 risks can be mitigated
  - i. Decision makers
  - ii. The general public
  - iii. Workers who will be exposed to risks
- Decision makers will respond to evidence and public opinion
  - i. Those countries that have controlled the spread of COVID-19 and designated construction “essential” should be examined
    - Has there been “community” transmission on site?
    - What measures have they taken?
- The general public will respond to political leaders and evidence
  - i. Learnings from best-practice jurisdictions should be communicated
  - ii. Political messaging should continue to be clear and unambiguous
  - iii. The counterfactual (i.e. the benefits of getting people back to work) needs to be understood
- Workers need confidence that they will be protected
  - i. Processes need to be clear, consistent and training robust
  - ii. Personal protective equipment must be accessible and effective
  - iii. COVID-19 testing must be frequent

### 2. Ensuring the infrastructure and construction programme is optimised

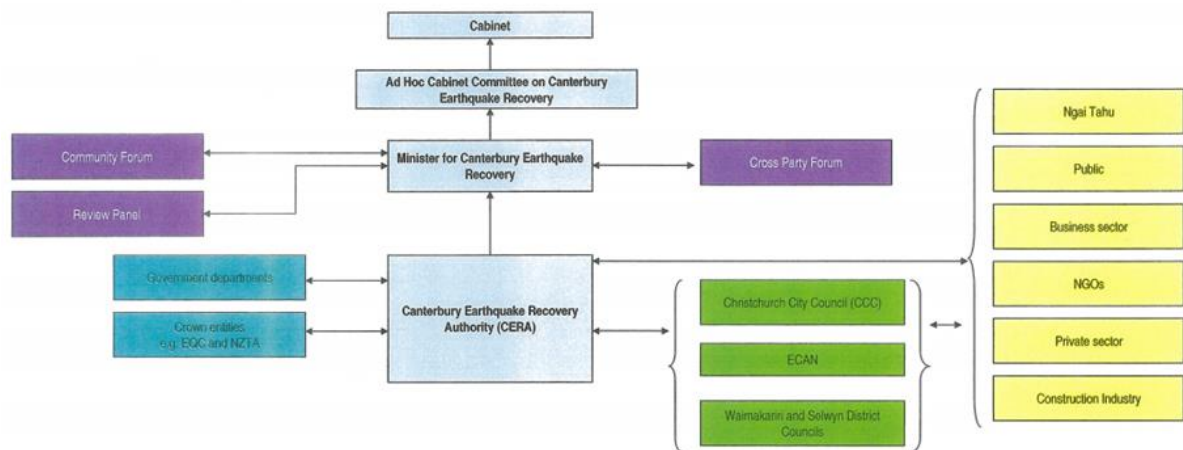
- a. There are three timeframes or “horizons” that require work programmes TODAY:
  - i. The immediate term – the next month
  - ii. The intermediate term – months 1-6
  - iii. The long term – 6 months+
- b. The immediate priority for the immediate term is retaining the skills and capacity in the most vulnerable sector (construction) through Level 4 lockdown. There are three options:
  - i. Public acquisition of private firms
    1. High effectiveness. Medium cost. High risk.
  - ii. Initiating work within the next month
    1. High effectiveness. Low cost. Medium risk.
    2. Preferred option if (1) above can be satisfied
  - iii. Public subsidies to private firms to retain workers until work recommences
    1. Medium effectiveness. Medium Cost. Low risk.

Preferred option if (1) above cannot be satisfied

## Appendix 2: Governing the COVID-19 Recovery

### Canterbury Earthquake Recovery: A Model for the COVID-19?

In the wake of the devastating earthquakes which struck Christchurch and the wider region in 2010-11, the Government established a strong and effective governance framework. The Framework struggled through longer term rebuilding, but in the immediate weeks and months following the February earthquake, performed very strongly. It was set out as follows:



The other key lessons from Christchurch were:

1. Ideally don't create multiple agencies – create co-governance with a single touch point
2. The funding wasn't made available to follow through with the Blueprint

Need to also consider the governance from the Kaikoura NCTIR alliance:

- Learned lessons from Christchurch alliances
- Installed strong independent Chair
- Community consultation very quick and community extremely grateful – significantly better, cheaper and faster than current RMA processes
- RMA reform (ask Dean Kimpton who is on the reference group) was progressing towards a 'bucket' for nationally important projects. Suggest you get that principle put in place under urgency with Minister Parker while in State of Emergency. This would clearly establish the primacy of wider society impacts from use of resources, whereas it currently favours individuals and incumbents over society.



This is our 'Olympics moment'. For reference the governance model that delivered a highly successful, country-wide response to the London Olympics is shown below:

