

# Infrastructure New Zealand Position Paper: **System Stewardship**



## **Current problem**

### **New entities have been created to drive and deliver infrastructure investment**

Over the last decade, Aotearoa's infrastructure deficit has come into sharp focus. Infrastructure investment has also been a key investment lever in the recovery from the economic effects of the pandemic. As a result, new entities have been stood up and repurposed to help address the issues we're facing.

For example, Infrastructure New Zealand (INZ) advocated for the 2019 establishment of Te Waihanga – the New Zealand Infrastructure Commission. The Commission's work has since demonstrated the importance of understanding the drivers behind infrastructure delivery and having a national strategy to guide our infrastructure sector going forward.

### **The system lacks accountability and oversight**

However, as the infrastructure advisory and delivery environment has matured, we now have a complex web of agencies and lack an infrastructure steward which is adequately empowered to hold other actors in the system to account. As a result, the system as a whole lacks accountability and oversight.

This plays out right across government. Local government bodies lack accountability because local authorities can point to central government's role in funding transport, monitoring water quality, determining immigration settings, increasing regulation, and otherwise transferring costs to ratepayers. Conversely, central government can point to local government's dominant role in urban and environmental planning and infrastructure delivery as reasons for poor housing and transport outcomes. In areas where central institutions provide end-to-end services, decisions by previous administrations make associating outcomes with the Government of the day difficult.

Bespoke entities, like Crown Infrastructure Partners and Rau Paenga Limited (the repurposed Ōtākaro Limited) will sit alongside infrastructure advisory functions at the Treasury and Te Waihanga, including its major projects team, as well as the functions of delivery agencies like Waka Kotahi and Kāinga Ora.

In some parts of the infrastructure system, we have agencies that are empowered to hold – often monopoly – delivery agencies to account. Electricity and gas transmission and distribution are regulated by the Commerce Commission. Water sector reform proposes a similar approach. However, the transport, health and education sectors lack external checks and balances and instead rely upon a combination of internal investment approval processes, investment approval by ministers or Cabinet and assurance by the Treasury.

As investment continues to grow, there is a need to focus on building system-wide capability and a coherence of direction in line with the Te Waihanga's New Zealand Infrastructure Strategy - Rautaki Hanganga o Aotearoa. To do this, a system steward is required to actively promote accountability and cross-entity collaboration by taking a leadership role in the system as a whole.

## **Infrastructure New Zealand's Position**

### **A system steward is required**

At Building Nations in 2022, the then Minister for Infrastructure, Grant Robertson, announced that Ōtākaro Limited would be repurposed into a national Crown deliver agency – Rau Paenga, to project and contract manage large vertical infrastructure projects for a selection of government agencies.

In adding to the web of entities advising on and leading infrastructure delivery across the system, there is an opportunity to step back and reflect on the entities operating at the national level. In particular, there is an opportunity to clearly identify and empower a system steward with a whole-of-system remit who can support and actively steer the disparate functions of entities and enable greater accountability and transparency across the system.

### **Te Waihanga should be empowered to take on this role**

Te Waihanga is well-positioned to perform a system steward role but needs to be empowered to do so.

Thus far, the establishment of Te Waihanga has gone some way to creating greater oversight and a fuller evidence base in the system. Its Strategy, infrastructure pipeline and review work, as well as the provision of its major projects advice and requirement for its procurement best practice to be adopted for projects with a value of \$50 million or more are examples of its impact in the sector. These functions also highlight the benefits of its whole-of-system vantage point.

There is an opportunity to further leverage Te Waihanga's expertise. Given that the existing level of politicisation of the infrastructure project pipeline continues to create uncertainty for sector actors – including private investors, enabling Te Waihanga to proactively nurture clarity and collaboration across the system would be beneficial. In this role, Te Waihanga could build on its strategy and infrastructure pipeline work to lead the system and encourage strategic accountability. To do this, Te Waihanga requires the mandate to become the system steward.



### **Key Recommendation**

- Te Waihanga – the New Zealand Infrastructure Commission should be empowered to take on a system steward role to guide the sector in line with its strategy and to encourage accountability and collaboration.