



TE TAI ŌHANGA
THE TREASURY

12 August 2019

Mr Tony Shepherd AO
Chair, Infrastructure South Australia
Level 15 Wakefield House
30 Wakefield St Adelaide
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Dear Mr Shepherd,

Treasury Submission on the 20-Year State Infrastructure Strategy Discussion Paper

Congratulations on the release of Infrastructure South Australia's first substantive document, the 20-Year State Infrastructure Strategy Discussion Paper. The New Zealand Treasury welcomes the opportunity to provide comments.

Once established later this year, responsibility for the production of New Zealand's long-term infrastructure strategy will transfer from the Treasury's National Infrastructure Unit to the New Zealand Infrastructure Commission, Te Waihanga (the Commission). We expect the Commission will look to learn from Infrastructure South Australia's experience, and that of the other Australian infrastructure bodies, as part of the development of the next New Zealand long-term infrastructure strategy.

The Treasury's comments attached focus on how the issues raised will develop into the 20-Year Strategy, and some considerations based on lessons learned from the development of the 2010, 2011 and 2015 Thirty Year New Zealand Infrastructure Plans.

Finally, I would like to express my gratitude for the support and input from your CEO and from all the Australian infrastructure bodies in developing our Commission. Once operational, I expect that the Commission will continue its collaboration with its trans-Tasman counterparts, including Infrastructure South Australia.

Thank you for inviting us to input to your Discussion Paper.

Yours sincerely,

[DELETED]

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Comment on the 20-Year State Infrastructure Strategy Discussion Paper

The vision of the Strategy

We understand from the discussion paper that the vision of the Strategy is to have the right infrastructure in place to support the South Australian Government's annual economic target of 3 per cent growth.

Treasury supports this vision. However, we wonder if this would give rise to over-investment in infrastructure networks and/or sectors, and therefore encourage consideration of other factors such as the level and quality of services wanted from the State's infrastructure.

The body of your discussion document explores wider issues such as integrated land use and infrastructure planning, decarbonising the electricity grid, whole-of-life costs and integrated funding and financing. Treasury supports the consideration of these issues and looks forward to seeing how they evolve in the final strategy.

The Treasury has developed a Living Standards Framework (LSF) to help us advise governments about how the policy trade-offs they make, including in relation to infrastructure, are likely to affect everyone's living standards. You can find more information on the LSF and our wellbeing approach on our website:

<https://treasury.govt.nz/information-and-services/nz-economy/living-standards/our-living-standards-framework>

A policy-driven or consensus-based approach

Our experience from developing the 2010 – 2015 New Zealand Infrastructure Plans is that understanding what key stakeholders know, want, and need from the Strategy is an important part of ensuring the Strategy is both relevant and credible. However, building a consensus-based approach involves a high level of stakeholder engagement, and we found it was easy to underestimate the time and resource required to undertake effective engagement.

What the Strategy will do and what it will achieve

'The Strategy will define the challenges and opportunities that the State is likely to face over the next 20 years and take a deep dive into specific infrastructure priorities and approaches at a sectoral level to address these.'

It is important to be clear on the starting point and the end-point of the Strategy. The Treasury supports the objective for the Strategy to define future challenges and opportunities, and we believe that setting the scene is also an important part of developing the State's first strategy.

We do think there is opportunity to clarify the end-point of the Strategy. We note the Strategy will explore approaches to address challenges, and provide a framework to enable the Government to plan and make decisions in relation to infrastructure. We look forward to seeing how these develop, and how they will help infrastructure owners and decision-makers ensure South Australia has the infrastructure it needs.

Implications

The Treasury considers there is also scope to further develop the implications sections related to each of the issues raised in the discussion paper. We like how each implications section states why the issues are important when considering long-term infrastructure. However, these sections could draw out more detail around what the issues actually mean for future infrastructure decisions, what trade-offs should be considered, and what other questions should be asked when considering future infrastructure investments.