

Speech Notes – Building Nations

The very name of this conference – Building Nations – is a concept I keep in mind when I travel around the regions as your provincial champion.

The idea of nation building is something that New Zealand historically did well – in the days of the Ministry of Works – when there were options other than leaving school and going on the dole or joining a gang, like we see in many benighted provinces today.

Nation building is a theme that is built into this Coalition Government's \$3 billion Provincial Growth Fund.

It is a theme that is built into our One Billion Trees programme.

It is a theme built into our first Budget and it is a theme that I'm happy to be talking about to you today with my Infrastructure hat on.

We don't want to go back into time but we do need to get back to basics.

Basic infrastructure is something that many of us – particularly you urbanites – take for granted in New Zealand but I can tell you it's the single most common complaint I hear when I visit New Zealand's regions.

Roads, bridges, buildings, water infrastructure and telecommunications.

Provincial Growth Fund:

While the \$3 billion Provincial Growth Fund is not intended to be an infrastructure fund, a chunk of it is dedicated to Enabling Infrastructure.

Our surge regions – Tai Tokerau, Tairāwhiti, Manawatu-Wanganui and Tai Poutini in the South Island – seem to each come with their own problem child.

In Tairāwhiti, that's roads and on the West Coast, it's probably more to do with lack of digital connectivity.

All these regions would argue that it's hard to lift productivity potential and create new economic development opportunities when basic infrastructure is lacking.

That's an argument I definitely sympathise with.

Many proposals will end up being the decision of the entire Cabinet and we're conscious of striking the right balance between investing in sectors and areas that have seen chronic underinvestment and neglect in recent years and investing in new, commercial and innovative opportunities that will catalyse further private investment.

The PGF will also allocate significant amounts of capital to KiwiRail, digital infrastructure and for training and development initiatives.

We recently launched our Investment Statement and made it clear that we're not just intending this Fund to be a large grants scheme.

This is not your traditional central Government regional development programme.

In fact, this is the largest regional development spend per capita in the OECD.

We are looking at debt, equity and other financial instruments, as well as exploring what holding company options the Crown may be able to employ.

The private sector has an important role to play in helping central Government ensure we get the most out of this Fund so pony up your ideas and let's get on with it.

The reason this Coalition Government believes in the need for the Provincial Growth Fund is because of the successive under-investment and neglect many of our regions have seen.

The regions generate 40 per cent of our economic output and provincial New Zealand is brimming with ideas and opportunities.

The PGF will help address some of the chronic infrastructure issues our regions are facing and provide the foundations for future economic growth.

So getting back to infrastructure...

What's wrong?

New Zealand has no long-term infrastructure plan.

My officials told me it was factually incorrect when I declared this in my office one day, and promptly presented me with an 80-page glossy document from 2015 containing lots of pictures of ports and cranes.

The glossy plan aside, I'm sure every one of you in this room believes there are systemic issues with how we do infrastructure.

How we decide what projects we put our immediate, medium-term, and long-term attention on.

We're prone to boom and bust cycles, we have labour force constraints, we don't do training and development well, infrastructure priorities can shift with electoral cycles, we don't collaborate enough with the private sector and we're not innovative enough.

Four main problem areas:

- A lack of integrated investment decisions within and across central and local government;
- Lack of visibility, pipeline and scale;
- Our overriding focus is on building new assets rather than the outcomes we're trying to achieve and our ability to deliver on them;
- Central and local government procurement capability is often lacking.

What we're doing about it

During the formation of the Coalition Government – when I was mooted to be Infrastructure Minister – I told our now Prime Minister and my rangatira Winston Peters that I wasn't interested in being a caretaker of a portfolio I couldn't accomplish anything in.

So today, I'm pleased to announce that Cabinet has agreed to the establishment of a new, independent infrastructure entity.

We want to create a new body that provides expert advice, planning and strategy, supports the delivery of major infrastructure projects across the country and acts as the golden thread between the various pieces of work this Government is undertaking.

We also see this new entity being a one-stop shop for investors, linking people to procuring entities and informing them about our regulatory and market settings.

New Zealand is open for business.

We're looking at innovative ways of financing and funding projects, we welcome high-quality direct foreign investment – particularly where it pertains to my Billion Tree strategy – we're addressing issues with our vertical construction industry to try and stop companies pricing themselves through the floor to the point where it threatens their very survival – and confronting the significant infrastructure deficit we're facing as a nation.

We recently asked Treasury to quantify the value of the infrastructure deficit we're facing and they were unable to.

I don't have accurate or up to date information about all infrastructure projects across all sectors and Treasury advise that agencies themselves don't necessarily know the extent of their future capital needs.

The challenge we're facing here is so big – and between local and central government and industry we don't even know the size of it.

A new infrastructure agency will be mandated to pull together a long-term pipeline of our infrastructure needs and work collaboratively with Ministers, local government and local and international financiers and investors with a view to vastly improving the systemic problems the industry as a whole has been facing for many years.

We've heard your call for far more longer-term thinking and certainty about infrastructure and today we're here to tell you that we're listening.

Treasury will undertake the detailed policy work and provide options about the exact governance structure and I'll report back to Cabinet on this early next year.

We're hopeful of having this new agency in place by late during 2019.

We may not agree with every opinion piece or media commentary we see but we do believe that Government and industry have to work together to create something that has an enduring positive impact for NZ Inc.

By bringing greater understanding and certainty about the impact of investment choices on the country's prospects, the new entity will help ensure we invest in the infrastructure we need at the right time and in the right place.

By increasing market confidence and the credibility of the infrastructure investment landscape, people will be more willing to build infrastructure capability and to participate in bidding.

Independence:

I took a trip to Australia earlier in the year to see how their infrastructure bodies work and I learnt many things – that thinking bigger than electoral cycles and having an independent voice offering a qualitative opinion on infrastructure to central Government genuinely has its merits.

In some ways, we need to take the politics out of infrastructure but we have to strike a balance between the powers that Ministers rightfully acquire when elected, the clout this new agency will need to have to effect tangible change and the needs of industry.

We still believe that fundamental decision making rights rest with central Government and we believe that a Government has the right to set its immediate infrastructure priorities.

But look what happened in Christchurch – The Canterbury Earthquake Recovery Authority was bestowed with the greatest powers of any Government agency but it failed to work well with the private sector and it failed to provide certainty.

We saw significant capital flight out of the Christchurch recovery because of delays, bureaucracy and lack of commercial and private sector engagement.

The truth of the matter is our best and brightest infrastructure brains don't want to work for a Government agency and, as a Minister who regularly refers to the treacle in the civil service, I understand that.

I'm a pro-industry politician who genuinely wants to see it become easier to do business in NZ. I'm horrified at how long it takes to get anything done in this country.

I believe that once our society is bestowed with a higher quality of infrastructure – and a proper plan to get there – investors, entrepreneurs and risk takers will follow.

As for the red tape we have, it seems as a society, this is what we've settled upon and in order for a major unravelling to take place, I suspect I'll have to campaign on that in another election and that's fine because a government can only deal with a certain number of things at any given time.

Human capital

In respect of procurement, we want to see procurement that not only bolsters the fortunes not only of industry but also the obligation to prepare the next battalion of skilled workers.

We missed a great opportunity in Christchurch to insist that procurement decisions ensured we were training the next round of skilled men and women and I do see this new entity having a significant focus on human capital.

As we told media after meeting with leaders in the vertical construction sector, we do want to see a local construction industry – else we'll be surrendering it to the Aussies and we can't have that.

This Government believes the infrastructure entity will have knock-on positive effects for how we train our young people and give them genuine career paths.

We have a rare opportunity to improve economic performance and social wellbeing for generations to come.

This Government is acutely aware of the benefits that will be lost if we do not rise to this challenge.

I know today's announcement will be welcome news for many of you and I'll be ensuring my officials continue to talk to you all and include your views while the detail of the agency is fleshed out.

It's easy for industry to talk about what Government can do for you but remember there are things you could all be doing for your Government too.

The vertical construction sector has been open about some of its shortcomings as an industry and I admire that. There are other aspects of our infrastructure sector that could do with some introspection as well.

The broader infrastructure sector does have a role to play in making sure we are training our young people and providing them with stable and exciting career paths.

You also have a role when it comes to New Zealand's reputation – health and safety, best practice, world-leading technology, how we treat our migrant workforce and how well we perform in this space.

Nation building – that's what we have a chance to do again.

And it will take the combined efforts of every person in this room and many others to ensure we don't waste this chance.

Please note, the delivery of Minister Jones' speech will differ slightly from these notes.