



National Infrastructure Bank

National is determined to deliver new, world class infrastructure. Efficient infrastructure networks are essential for a competitive and productive economy.

National is committed to a long term vision for the delivery of infrastructure across the country.

We are committed to delivering quality water, housing, health and education services. Much of the infrastructure that supports these services is also in need of investment.

We have already signalled our long-term vision for New Zealand's transport infrastructure, which includes linking the golden triangle by four-laning from Whangarei to Tauranga and an expressway from Ashburton to Christchurch. This 30-year vision for transport infrastructure will ensure the efficient movement of freight, people and commerce around the country.

But outside of transport, a long term, disciplined plan for the financing and management of infrastructure is needed. The many questions over processes in the Provincial Growth Fund, lack of delivery in the Green Investment Fund, confusion over light rail, the failure of KiwiBuild and lack of clarity over shovel-ready infrastructure projects are clear examples that illustrate the ad-hoc and disparate approach taken to infrastructure investment under the current Government.

A new approach is needed.

The Infrastructure Commission (Infracom) has been established in a co-ordination and advisory role, to ensure long term planning is being undertaken so that the country develops infrastructure that will improve New Zealand's productivity and the wellbeing of its people. Infracom also has procurement and delivery advice and support functions.

But the major challenge is ensuring projects are adequately coordinated and financed in central and local Government. For example,

projects such as the upgrading the three waters infrastructure are expected to cost several billion dollars over the next five years. A coordinated and disciplined approach to planning and financing will be required for projects like this and others.

The current Government has taken an ad-hoc approach to the management of its various loans and funding investments. In contrast, we know we need a more professional and competent approach with a clear source of leadership in the infrastructure sector.

Infrastructure banks provide a long-term perspective on financing and developing infrastructure. They act as a bridge between government sector objectives and private investment. They have proven value in increasing the availability of finance for infrastructure projects around the world. They can also balance environment and social concerns.

Our Policy

National will create a new Crown Financial Institution, named the National Infrastructure Bank to provide finance and advice to central and local Government infrastructure projects. It will take an inter-generational, long term approach to finance of infrastructure in New Zealand.

The Bank will employ professionals with valuable technical, legal, financial and economic appraisal skills. This will lift the quality of engagement in the infrastructure sector.

The Bank will have a role in ensuring that the Crown receives value for money from its infrastructure finance structures.

It will provide an avenue for institutional investors such as the ACC, NZSuper Fund, iwi, Kiwisaver providers and Australian pension funds to take on investment risk in New Zealand infrastructure assets.



The Bank will consolidate several existing entities to provide a single, professional agency including the:

- Crown Infrastructure Partners
- Green Investment Finance
- Residual holdings at Crown Irrigation Investments Limited
- Loans made by the Provincial Growth Fund
- Other loan portfolios across the Crown balance sheet where appropriate

Final design of the Bank would be completed by a new National Government drawing upon the appropriate advice of The Treasury and private sector expertise.

Roles for the Bank

The National Infrastructure Bank will be a key part of the delivery of world class infrastructure for New Zealand. As a Crown Financial Institution, it will provide vital leadership and capability in the public sector for long term infrastructure development.

It can undertake several roles:

- Funding new infrastructure projects for the Crown and local Government.
- Providing opportunities for institutional investors and iwi to invest in financing long term infrastructure assets.
- Developing a portfolio approach to managing infrastructure debt and associated risks, in association with the Treasury.
- Providing advice and expertise to the Crown on financing models for infrastructure.
- Ensuring the Crown receives value for money from its infrastructure finance structures.
- Actively monitoring the debt portfolio and recycling funds over time.
- Developing and implementing commercial models that unlock co-investment

with the private sector and taking over co-ordination of the NZ public private partnership programme.

- Developing tools and alternative funding models to advance the development of infrastructure to support the New Zealand economy.
- Act, as required, to independently assess infrastructure proposals prior to financing.

Projects the National Infrastructure Bank could support:

- Development of new three waters infrastructure, including funding local Government finance.
- Financing new toll roads through long term bond finance in collaboration with NZTA.
- Supporting funding for green investment projects.
- Financing water storage projects.
- Supporting co-funding models for social infrastructure such as schools.
- Helping local Government unlock housing and commercial development with loans tied to targeted rates and development contributions.

Governance

- The Bank will be governed by an independent board who will be appointed for their expertise in infrastructure finance and public sector debt management. The governance structure put in place will be appropriate to the scale of the portfolio to be managed and the level of service required.
- National expects that the Bank would undertake professional due diligence of loans and financing to avoid the problems seen with the Provincial Growth Fund.



Funding

- The Bank would hold a nominal amount of equity capital, provided by the Government. Existing capital from organisations such as Green Investment Finance would also be re-allocated to the Bank. These equity contributions can be used to leverage capital raised in national and international bond markets.
- The Bank would undertake borrowing from debt markets and arrange further funding from institutional investors. International insurance companies and pension funds are particularly attracted to long dated (30-50 year) bond issues as could be undertaken by the Bank.