

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation



20 June 2022

George Morrison
fyi-request-17776-f2dfad64@requests.fyi.org.nz

Dear George

Thank you for your Official Information Act requests, received on 30 November 2021.
You requested:

...all text messages and/or other forms of electronic messaging and responses sent to you to by Christopher Luxon for the period you have been Minister of Finance

And

...all communications, including no surprises notifications, received by you as shareholding minister of Air NZ relating to the company for the period of 19 June 2012 to 20 June 2019.

On 15 December 2021 you clarified your latter request to:

... all communications specifically from Christopher Luxon to Minister Robertson and his predecessors relating to the company for the period of 19 June 2012 to 20 June 2019.

I would also like my request to include (for the period mentioned):

- All communications from anyone at Air NZ to the Minister or his predecessors relating to the engine maintenance work it did for the Royal Saudi Navy*
- All communications from anyone at Air NZ to the Minister or his predecessors relating to rationalising or removing regional flights.*

I wrote to you earlier to transfer the parts of your clarified request for information prior to me taking over the portfolio of shareholding Minister for Air New Zealand to the Treasury. The following parts remained with me for response:

1. All communications specifically from Christopher Luxon to you as the shareholding Minister for Air New Zealand relating to the company for the period 26 October 2017 to 30 November 2021;
2. All communications from anyone at Air NZ to you as the shareholding Minister for Air New Zealand relating to the engine maintenance work it did for the Royal Saudi Navy for the period 26 October 2017 to 30 November 2021;
3. All communications from anyone at Air NZ to you as the shareholding Minister for Air New Zealand relating to rationalising or removing regional flights for the period 26 October 2017 to 30 November 2021.

I wrote to you to communicate my decision to extend my response by an additional 40 working days. The extension was required because your request necessitated a search through a large quantity of information, and consultations were needed before a decision could be made on your request.

Unfortunately, I did not also include the earlier request in the extension, as was intended, due to administrative error. I apologise for that oversight.

Information being released

Please find enclosed the following information:

Item	Date	Document description	Decision
1.	25 June 2019	Business Advisory Council letter to Prime Minister on Infrastructure	Release in full
2.	24 February 2021	Letter from the Chair of Air New Zealand regarding the company commissioning the PWC review	Release in full

Information to be withheld

Eight text messages have been identified between the Deputy Prime Minister and Christopher Luxon during the timeframe specified in your requests. I am withholding seven of these text messages under section 9(2)(g)(i) of the Act, as the withholding of the information is necessary to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty. The remaining text message is withheld under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



Hon Grant Robertson
Minister of Finance

OIA 20210576

Information for Release

1. [BAC letter to Prime Minister on Infrastructure](#) 1
2. [Letter from the Chair of Air New Zealand regarding the company commissioning the PWC review](#) 6

25 June 2019

The Rt. Hon. Jacinda Ardern
Prime Minister
WELLINGTON

Dear Prime Minister,

Infrastructure Development

Infrastructure has been a recurring theme in the discussions of the Business Advisory Council. This is because we know that for the business sector to thrive, it needs to be underpinned by world class infrastructure that effectively connects, transports and develops information and ideas, people and products. It is also an ideal topic for the Council to comment on given infrastructure development is so reliant on Government action and its outcomes significantly impact the creation of wealth and the distribution of prosperity.

In May, members of the Business Advisory Council met with sector leaders for a conversation on New Zealand's infrastructure environment. We were fortunate to host the Hon. Steve Bracks, Former Premier of Victoria (Labour) as part of that session. Mr. Bracks' insights were invaluable given during his premiership he faced many of the infrastructure challenges New Zealand now faces.

The purpose of that session was to bring together thought leaders to discuss challenges and to lay the foundations of a discussion with Government at the July meeting.

General Comments

In our view, New Zealand is at an infrastructure crisis point. This is not, we should add, the fault of the current Government. These issues are multi-generational and systemic. However, we believe your Government has the opportunity to begin resetting our systems and to address this crisis.

Infrastructure, in its broadest sense, underpins well-being. The success of regions relies upon their effective connectivity to urban centres; linking the city fringe with the centre can reduce income inequality; mature, unclogged and functioning cities (especially Auckland) are our critical engines of growth; swimmable beaches rely on major storm water and sewerage projects; energy certainty is a basic building block for investment; larger bridges can enable higher loadings, fewer truck movements and lower emissions; broadband connectivity empowers business to occur anywhere, anytime; and a connected vision for infrastructure enables wealth to flow into and around the country, building an equality of opportunity for all Kiwis.

Unfortunately, the system that sits beneath effective and sustainable infrastructure development in our country is fundamentally broken. We also have a proclivity as a nation to focus on the short term and on individual projects as a means of addressing our challenges rather than addressing the system itself.

We applaud the Government's work in establishing the Infrastructure Commission and the development of the project pipeline. These are vital and necessary steps and we will do all we can to support it being successful, independent and above the political fray. The Commission will take time to establish itself and make recommendations. This should not however, preclude Government taking its much-needed leadership role, now, in resetting our infrastructure systems.

Our intention in this letter is to encourage the Government to be bolder and think bigger when it comes to enabling an effective infrastructure ecosystem. Respectfully, we also want to create the impetus with Government to act with a greater sense of urgency in tackling this issue.

25 June 2019

The business community, and many other sectors, will support the Government in a bold and effective infrastructure plan.

We have found the work of Infrastructure New Zealand and its Chief Executive, Stephen Selwood, helpful in understanding the challenges we face and conceptualising the solutions. This has drawn on the infrastructure experience of nations such as Ireland, Denmark, Singapore and Australia. Following our discussions with sector leaders, we have developed the following comments.

The Challenges

1. There is no overarching vision or leadership in New Zealand for infrastructure development. This means there is no nation building narrative upon which to build a strategic direction.
2. We lack a national masterplan that would bring that vision to life and would allow the country to tangibly map out our immediate, medium and long-term infrastructure future in an integrated way.
3. Funding and financing mechanisms that would allow for long-term, debt-funded or investable opportunities are not in place meaning plans remain simply, plans.
4. Our key legislative frameworks in relation to planning and incentives between central and local governments are misaligned with one another and do not enable positive, integrated or strategic growth.
5. We are poor at execution and delivery. The public sector does not have the capability to manage a programme of projects of national significance and the private sector operates in a boom-bust cycle.

These issues are relatively simple to articulate but challenging to implement. Some are cultural and will take time to remedy. However, these challenges require strong central government leadership and vision in order appropriately define the issue, work it through and resolve it.

We believe the following initiatives, which are a mix of immediate actions and longer-term solutions, will contribute to addressing our infrastructure challenges and create a momentum for further positive reform.

Reform our planning and local government systems

1. Borrowing from the Australian and British models, New Zealand should establish a Ministry of Cities, Urban Development and Population. This new portfolio could incentivise locally developed, long-term and tangible strategies and execution through the administration of City Deals. This would include allowing local authorities to capture part of the value created through their own successful strategies and initiatives.
2. A Prime Ministerial Taskforce or Commission of Inquiry should be established to undertake a comprehensive, evidenced based and first principles review of our planning laws and local government system. This would include reviewing, among other areas, the Resource Management Act, Local Government Act and Land Transport Act. This process should address local government settings in New Zealand, including economic incentives and funding mechanisms with a view to ensuring we have a world class system that is fit for purpose in a modern economy of less than five million people.

25 June 2019

Create Opportunities for Investment

3. We appreciate and agree that a strong rail network is in the national interest. However, our transport infrastructure solution is not a binary choice between rail *or* roads, but a comprehensive, scaled up solution of rail *and* roads *and* coastal shipping *and* other modes. Our system must be totally integrated and agnostic as to mode of transport as each region will have different needs. As such, the 12 roading projects presently on hold or under review should proceed and be opened to private investment. These projects are investment ready, provide the beginnings of a pipeline of investable opportunities and would be an effective use of the roading capability developed in New Zealand over the last 20 years.
4. New Zealand cannot simply rely on the market to deliver projects of scale that are of national significance. There would be value in beginning a process to identify and develop nation building projects to form a "New Zealand Prospectus" that can be used to both inform a national master plan and to provoke wider systems change. This Prospectus should be partly informed by scaled-up projects which mitigate the unique and potentially highly disruptive seismic risks our country faces.

Develop our own talent and capability, and import foreign expertise, to execute nation building projects

5. Establish a civil service academy for local and central government to build needed capacity in commissioning and managing projects of national significance. Part of this capacity building process also needs to include buying in a critical mass of private sector and international expertise, alongside the development of civil service expertise. The focus for capability development should result from a skills audit in the sector but is likely to include: best practice planning; investment rigour; risk; procurement; delivery; and an above average agility and execution capability given our unique seismic vulnerabilities.
6. We believe the infrastructure deficit in New Zealand needs urgent attention and our lead-in time to develop our own capability and capital will lag this urgency; it is already challenging to access qualified workers. Furthermore, Australia has a significant number of infrastructure projects underway or planned, meaning a significant amount of regional expertise will be focusing on the Australian pipeline. The Government should therefore investigate the responsible and sustainable use of international expertise, capital and labour (both skilled and unskilled) for both high-priority future projects of national significance and existing infrastructure projects.

Funding and financing

7. The National Land Transport Fund (**NLTF**) rules need to be amended to allow for the raising of debt in order to fund long-term and strategic programmes of work. The present fund is limited to a user-pays system which prevents debt financing, long-term planning and discourages meaningful private sector investment.
8. There should be an amalgamation of the funding bases for road, rail and shipping. Bringing together the agencies responsible for these modes of connectivity will result in an integrated approach to our transport network. This will require the NLTF to be supplemented by allocations from the consolidated fund to pay for social and environmental outcomes from investment in rail, walking and cycling.

25 June 2019

9. A philosophical shift is required in our national approach to infrastructure concerning the use of public private partnerships. Government needs to ask itself whether there is any great social benefit in the state owning certain assets, especially when that comes at the expense of other government priorities and responsibilities. A process of asset recycling can then take place which releases much needed public capital for new projects, while leveraging private resources to take over (in whole or in part) and revitalise mature state assets.

These are provocations and challenges because we see this moment as a significant opportunity to make a step change in the long-term well-being of Kiwis through infrastructure reform. We also see significant risks facing New Zealand if bold action is not taken in the very near future.

We look forward to our next discussion with Government on 05 July.

Yours sincerely,

Christopher Luxon

Chair, Prime Minister's Business Advisory Council

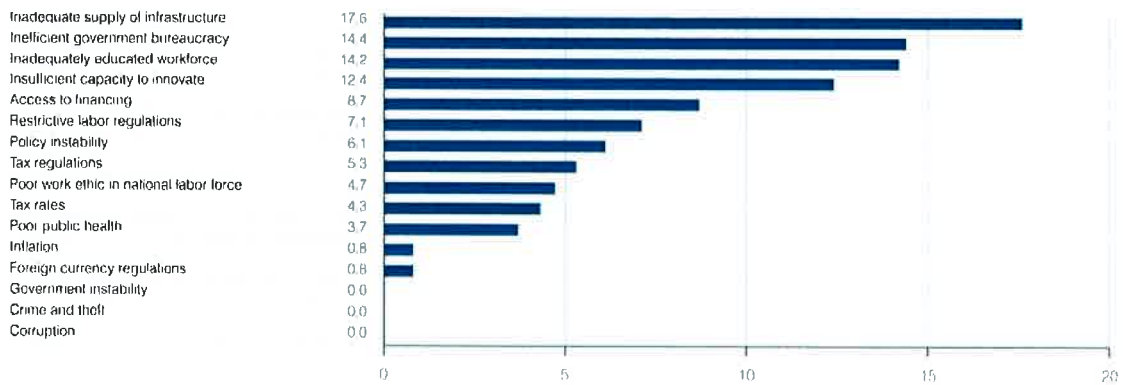
Chief Executive Officer, Air New Zealand

Copy to: Hon. Grant Robertson, Minister of Finance
Hon. Shane Jones, Minister of Infrastructure

25 June 2019

Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2016

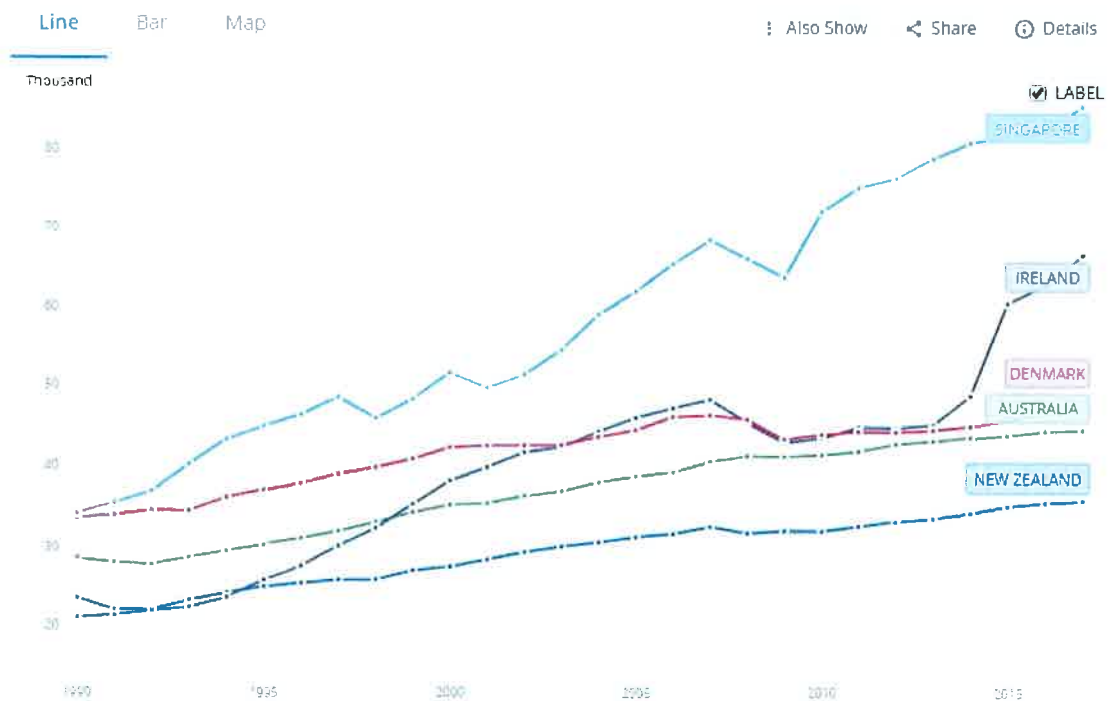


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GDP per capita, PPP (constant 2011 international \$)

World Bank, International Comparison Program database

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² World Bank, GDP <http://www.worldbank.org/en/programs/icp>



24 February 2021

Hon Grant Robertson
Minister of Finance
Executive Wing
Parliament Buildings
Wellington
Via email to: danni.thian@parliament.govt.nz

Dear Minister,

Thank you for your letter dated 23 February 2021.

I acknowledge your disappointment and concern at Air New Zealand's Gas Turbines business being involved in work for the Royal Saudi Navy. The Air New Zealand Board and Executive share this concern. As we have acknowledged publicly, we do not believe carrying out this work fits within the values of Air New Zealand, or indeed New Zealand.

This work was halted as soon as it was brought to the attention of Air New Zealand's leadership. An internal review of our processes was launched, and the Air New Zealand Board appointed PwC to conduct a thorough independent review of the Gas Turbines contracting and approval processes.

We also immediately commenced regular dialogue with both Customs and MFAT to work towards a better understanding for both parties on whether, and if so how, the complex regulatory frameworks apply to any requirements for export permits or other notifications. Those conversations are progressing well in our view.

We quickly recognised the need for improvements in our escalation processes for approving any naval military work and for work for certain countries to ensure this situation does not recur. The recommendations from the PwC review will help inform those changes. Pending that review being completed, our Executive and Board were highly aware that decisive initial actions were required and those have been taken.

Management have already put in place immediate interim measures to ensure escalation to the Executive of all Gas Turbines work for military end users and/or for entities located outside the Five Eyes countries. These steps include:

- Both management and our General Counsel notifying Gas Turbines employees that all new contracts for work for military end users and/or for entities located outside the Five Eyes countries need to be escalated to the Chief Operating Officer regardless of end user, country or monetary value.
- Air New Zealand project approval templates and systems have been updated to include the need for a confirmation that the work is not for a military end user or, if it is, that approval is referred in the Enterprise Portfolio Management system to the Chief Operating Officer. This requirement will need to be met before approval is given for any contract to be entered into.

Concurrently with these reviews, the Air New Zealand Board appointed Mike Heron QC to review the legal and regulatory requirements for exporting the specific type of GE engines which the business was repairing for the Royal Saudi Navy. This advice has recently been received by the Board and at this stage does not raise any legal concerns in respect of the work or exports of the engines for the Royal Saudi Navy under the May 2019 contract however we continue to discuss that advice with MFAT.



Taking into consideration the current reviews underway by Air New Zealand and MFAT, Air New Zealand will for the time being continue working with Five Eyes nations, with all other nations forming part of the broader review. To reiterate, no further work will be conducted for the Royal Saudi Navy.

You raise concerns about Board and Executive oversight of activities at Air New Zealand. I want to assure you, Air New Zealand is committed to the highest standards of social and environmental responsibility and ethical conduct. Systems and processes are designed to be regularly reviewed to ensure that the business lives up to those standards. This contract (via a third party) identified a gap in these systems in a small discrete part of our business that we will fix to ensure no further incidents occur.

While we will await the findings of the current reviews underway before making a final assessment, it is not the Board's view that this incident represents a systemic failing in Air New Zealand's governance processes.

We also welcome a broader review of the export permit and notification regimes to ensure they fit together clearly. Timings for notifications and approvals will continue to be important to fit with the commercial realities exporters face when contracting and exporting. Air New Zealand will of course participate this in any way that is useful.

Nga mihi,

A handwritten signature in black ink, appearing to read "T Walsh".

Dame Therese Walsh
Chairman
Air New Zealand