

Re: Critical Infrastructure - Catalyst meeting

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Infrastructure Resilience [DPMC] <InfrastructureResilience@dpmc.govt.nz>; Ryan Walsh [DPMC] <Ryan.Walsh@dpmc.govt.nz>; Emma Bickerstaffe [DPMC] <Emma.Bickerstaffe@dpmc.govt.nz>

Kia ora Emma and Ryan

Many thanks for your time on Friday. I realise that the two of you have been incredibly busy on this initiative and consulting very widely.

I will try and keep my written feedback brief, acknowledging that as legislation progresses we will have other opportunities to provide input.

Overall the NZ G is correct to identify resilience of critical infrastructure as a very pressing issue. The addition of cyber resilience to the conversation is welcome as is a "system wide" approach to the topic.

I would note, however, that many of the instances where there has proven to be a lack of resilience is largely due to decades of underinvestment by successive governments in core infrastructure - roads, rail, power grids, health, civil defence capability and the need for more robust planning regulations.

It should be axiomatic that greater resilience comes through greater diversity in the supply chain and wherever possible creating supply chains that can be accessed in New Zealand. Preferably through local suppliers.

Any legislation or regulation that fails to take account of this is likely to cause New Zealand businesses harm and reduce our ability to invest in technologies, capability, plant and product here in New Zealand.

The detailed proposal developed by DPMC seems to place much of the responsibility on an unregulated private sector and suggests that the costs of investing in greater resilience should fall on the private sector. This would be a reasonable position were it not for the fact that:

- the benefits of such investments do not accrue in reasonable timeframes to shareholders, employees and consumers. Capital investments are usually assessed in 3 to 5 year timeframes;
- instead they make us less competitive to against imports, particularly in the digital space, and less able to become competitive digital exporters.

New Zealand businesses do invest in resilience. The evidence of pandemic lock downs was that they caused minimum disruption to local businesses but it was international supply chains that were adversely impacted.

Even if New Zealand digital businesses (such as Catalyst's) are **not** deemed "critical infrastructure" it is likely that they would be impacted as such designations would create a "two tier" structure of suppliers and effectively exclude Kiwis from contracts of significance.

If legislation and regulation is passed along the lines proposed we suggest that it is critical that the government:

- addresses lack of availability of capital for such investments by creating a critical infrastructure investment fund available to NZ owned business;
- ensures that supply chain diversity is maintained by increasing the amount of government business that is allocated to locally owned suppliers (there are many trade agreement compliant ways of achieving this goal);
- invests much more heavily in nationally available cyber security defence infrastructure to the benefit of *all* businesses and consumers in NZ.

I'm sure I covered a few more points but I realise that the close for submissions is right now.

Ngā mihi nui
Don

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