

Media Statement
29 October 2009

Potential for better water services from changes to the Local Government Act

"Communities should expect improved water services from proposed changes to the Local Government Act", says New Zealand Council for Infrastructure Development Chief Executive Stephen Selwood.

The Government's proposals will enable greater flexibility for public-private partnerships (PPPs) for the provision of water services. The private sector will be allowed to design, build, finance and operate water treatment facilities for councils up to a 35 year period, at which point the asset will then be transferred back into public ownership.

Reported statements by the Green Party spokesperson Sue Kedgley that "this has the potential to be hugely harmful to the public" and that "this theft of the public's assets is alarming and dangerous" are both misguided and misleading, Selwood says.

The reality is that the private sector builds and maintains these assets now under contract for local Councils. PPPs provide a means for long term financing of public assets and allow improved transfer of whole of life risks to the private sector. Council's will retain full control over the pricing and policy, while the private sector will manage and operate the assets to gain the greatest efficiency in operations.

In essence public-private partnerships can provide the best of both worlds: overarching public sector control and direction on the one hand; and efficient private sector service delivery on the other.

The challenge that Councils are currently facing is that they are unable to increase rates to fund capital investment and they are being forced into deferring water infrastructure projects among others. This means poorer quality drinking water and substandard waste water discharges into rivers and the sea. Failure to invest now may lumber future generations with a legacy of failing infrastructure assets and/or unsustainable adverse health and environmental impacts.

The Government's proposed changes to the Local Government Act will enable councils to use PPPs to finance capital investment over a longer term, providing better intergenerational equity and improved services to communities than would otherwise be possible.

PPP's provide another tool in the tool box to deliver improved services to communities. They are not a panacea but should be used when partnership delivery provides better value than more traditional procurement methods. The changes give Councils improved flexibility to decide which method provides the best outcome for the communities they serve.