

## Growing Understanding for PPPs

**Media Statement**  
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"The Shape NZ survey showing New Zealanders favour public private partnerships (PPPs) to fund infrastructure development demonstrates a growing sophistication in understanding of alternative procurement and funding models by the NZ public", says Stephen Selwood, Chief Executive of the New Zealand Council for Infrastructure Development.

Mr Selwood was commenting on a new nationwide Business Council for Sustainable Development ShapeNZ survey which found that PPPs are the preferred method of funding infrastructure developments by 47% of the 2,480 respondents. The second most preferred way of raising capital is through council bonds (35%).

"What this survey shows is that the public understands PPPs are not about privatisation of public assets but are about leveraging private sector finance and expertise to deliver improved public service outcomes and linking payment to the delivery of the service over time.

"In Canada and the United States PPPs are known as "performance based infrastructure". This is a better term because it describes how payment is dependent on the private sector providers meeting agreed key performance standards set by the public sector agency.

"Under a typical PPP the private sector is granted a concession to design, build, finance, operate and maintain public facilities for an agreed term. Ownership of the asset typically remains with the public sector agency. Tolls or user pays fees may be used as a payment mechanism. Alternatively, the council or government may choose to not impose user fees but use rates or taxes to pay for the service over the term of the concession. In either case, payments to the private sector operator are abated if the services do not meet agreed key performance indicators.

"PPPs are not suitable for all public projects. In other countries, such as UK, Australia and Canada where PPPs have been extensively used, they account for around 10-15% of total public procurement.

"They are best suited when the risks of design construction operation and maintenance can be transferred to the private sector; where there are significant whole of life operating costs; where a substantial capital outlay is required; where the service outcomes are predictable and can be clearly specified by the council or government; and where there are clear opportunities for private sector innovation. They should only be used when they offer better value for money than alternative procurement options.

"PPPs will enable long term funding of infrastructure. Like infrastructure bonds PPPs are a form of debt, they allow ordinary investors and institutional funds like the NZ Super Annuation Fund to invest in infrastructure. Unlike traditional public sector funding methods PPPs have the advantage of linking payment to the quality of the

service provided, transferring risk from the public to the private sector and incentivising innovation in the delivery of public services.

"Importantly, PPPs provide for intergenerational funding of long term infrastructure investment. This means current tax and rate payers do not have to bear the full burden of funding assets with multi generational life spans.

"It is pleasing to see that the public's understanding of alternative infrastructure delivery methods is growing", Selwood says.