

Advantages in PPP delivery for Waterview but still no final commitment

The New Zealand Council for Infrastructure for Development is pleased to see the government's positive reception of the steering group report on the Waterview public private partnership (PPP) but is disappointed that it has yet to make a final decision to commit to the project.

The steering group report shows that PPPs incentivise the private sector to deliver a high quality service that will stand the test of time, says NZCID CEO Stephen Selwood.

The advantages include:

- Under a PPP model the incentives for early completion are very strong. The injection of private sector finance will help the project to be delivered by 2015, or sooner. This will drive economic growth and development in the South and the West of Auckland where it is most needed.
- The government is able to pass on risks such as construction cost overruns, higher maintenance costs, or lower traffic volumes to the private sector. Otherwise these costs would fall on taxpayers.
- Long term financing enables other pressing transport demands including public transport or local road improvements to be funded from the public purse. This means better public transport sooner.
- Private sector delivery brings a very strong customer service ethic. Unless the road provides better value people will simply choose to go the other way.

The critical question to be addressed is whether or not to toll the road.

Tolls provide additional revenues to fund transport improvements that would not otherwise be possible.

Contrary to popular opinion, you don't have to have tolls for a successful PPP, Selwood says. Most PPP roads in Britain have been built without tolls.

But the key advantage of a tolled PPP is that the private sector carries the risk if toll revenue is not sufficient to cover costs. A recent example of this is the Cross City Tunnel in Sydney where the original private sector partner carried the cost when traffic volumes were well below expectation. Even though this is commonly touted as a "failed PPP" the reality is that motorists are able to use the road if they choose, the State government did not carry any financial cost and the road has now been successfully transferred to a new private operator.

NZCID looks to a final determination by government the within the next two months as to how the Waterview Connection will be delivered.

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