

Ridgway Capital Projects Limited

News Release

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Treasury Paper on PPPs May Hurt NZ Economy

A Treasury paper downgrading the value of public-private partnerships (PPPs) for infrastructure work such as road construction may do a serious disservice to the economy, says an independent financial adviser on major capital projects.

Richard MacGeorge, a director of Christchurch-based Ridgway Capital Projects, said the paper's bias against PPPs flew in the face of best practice by OECD countries rapidly outstripping New Zealand's economic performance.

Mr. MacGeorge has been involved in infrastructure projects worth over \$10 billion in mainly Asia-Pacific countries since 1987 and Ridgway advises a number of governments on ways to procure infrastructure effectively.

"Many significant PPP capital projects overseas between the private investment sector and governments have proved over time to be extremely successful," Mr MacGeorge said.

"For Treasury to effectively dismiss their application here is to flout proven international experience showing they can be highly efficient tools for lifting economic performance and growth." He said New Zealand was already ten years behind other OECD countries in its methods of financing major infrastructure and risked falling further into economic obscurity.

"Rather than adopt an ideological barrier to PPPs, we need to urgently address how the private sector can engage with government to deliver timely and cost-effective infrastructure results.

"Government-financed schemes alone cannot price and manage risk as well as private investors who are accountable to shareholders. In the UK, credible studies show that 70 per cent of government-funded projects have been completed late and over budget, whereas the figure for PPP projects was less than 25 per cent."

Mr MacGeorge said PPPs worked best when governments licensed private operators to design, build, finance or operate infrastructure under competitive conditions and strictly regulated controls.

"Non performance by the private sector attracts penalties, while assets can remain publicly owned and governments retain an interface with end-users.

"Over \$150 billion of PPP infrastructure is financed in this way each year around the world, so we should not be so hasty in rejecting its importance."

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