

# PUBLIC-PRIVATE PARTNERSHIP (3P) DISASTER OF THE WEEK

## New Zealand: Railway Network

The New Zealand Railway Network is another 3P disaster from around the world – a disaster much like the failures (SR 91 and SR 125) that have cost California taxpayers hundreds of millions more than they should have. Because they are so profitable, it is not a surprise that multi-national companies and Wall Street investment houses want to bring more such 3Ps to the “lucrative” California market.

### *What the experts say:*

**Finance Minister Michael Cullen said that the privatisation of New Zealand’s Railway Network in the 1990s was a complete failure and a painful lesson for New Zealand. “From asset-stripping to trade scandals, New Zealand’s experiment with rail privatisation failed to produce much-needed investments in this critical part of New Zealand’s transport infrastructure,” said Cullen.<sup>1</sup> In 2008, the New Zealand government bought back the railway network for \$690 million and must inject \$80 million over the next five years to keep the railway running.<sup>2</sup> Prime Minister Helen Clark said that government ownership would allow it to make strategic decisions and investments to help rail make New Zealand more sustainable.<sup>3</sup>**



### The Public Interest Alternative

- Require competitive bidding.
- Require public oversight, design and inspection to ensure public safety and cost controls.
- Utilize tax exempt public financing which is as much as 35 percent lower than private borrowing.
- Tolls should be reinvested in our transportation and other public infrastructure.
- Prohibit non-compete clauses and cash payments that prevent improvements to competing public roads, increasing congestion.

<sup>1</sup> *Railway Gazette International*, “KiwiRail launch marks end of ‘failed’ privatisation,” July 2, 2008.

<sup>2</sup> *New Zealand Press Association*, “Govt may assemble Kiwirail locomotives in NZ,” July 13, 2008.

<sup>3</sup> *The National Business Review*, “KiwiRail to control railways,” July 1, 2008.