



9 April 2020

Hon Grant Robertson  
Minister of Finance  
Freepost Parliament  
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Parliament Buildings  
Wellington 6160

Via email: [g.robertson@ministers.govt.nz](mailto:g.robertson@ministers.govt.nz)

## COVID-19 – Local Government response and funding

Kia ora Minister Robertson,

I applaud the all-of-government approach to the COVID-19 crisis in protecting the health and safety of New Zealanders while ensuring the viability of our economy.

ACE New Zealand and its member firms across the country wish to support the government in its efforts to mitigate the current crisis and to facilitate the recovery ahead.

ACE New Zealand represents over 200 consulting and engineering firms, ranging from large global firms to employee-owned SMEs. Our members are on the front lines of delivering critical services, technology, construction and infrastructure and represent the essential expertise that New Zealand will need as we navigate the current crisis and transition to recovery.

It is in your role as Finance Minister that I am writing, as I have serious concerns regarding the austerity based approach being taken by some local government entities.

### Local government is in a challenging position

I understand the need for councils to proactively and prudently manage their expenses. The current situation is particularly hard as councils are seeing significant declines in operating revenues while having to maintain critical services to residents.

While some councils can take on debt to ease this funding challenge, many others, such as Auckland Council are up against their debt ceilings. That leaves councils with only two options:

1. Increase rates. This is unpalatable at the best of times, let alone in a recessionary environment.
2. Cut spending. This addresses the cash flow issue, but at a high cost to our nation's economy.

There is no simple fix under the traditional model.

### **Cashflow focus driving perverse outcomes**

Consequently, to manage their cash flow, some councils are stopping all procurement and engagement for programmes and projects. As an example, Auckland Council has recently issued blanket suspensions on programmes, services, and purchase orders.

This action will have a massive impact on the businesses directly involved, and a significant negative flow-on to the economy at large.

Simply put, this will cost jobs at a time where we desperately need to be protecting employment.

### **What is required from local government**

Local government's role in ensuring a viable construction and infrastructure sector and the employment market is more critical than ever. Now is not the time for retrenchment.

In the last week, we have seen 22,000 additional people apply for benefits; this is likely to grow substantially if this type of action from councils continues.

Cashflow and continuity of work are vital for businesses, particularly those in the construction and infrastructure sectors if we are to maintain a high-quality and engaged workforce to support our nation's economic recovery. Without this, many companies may downsize or become insolvent.

Rather than retrenching, now is the time for local government to maintain projects and programmes, and accelerate these where possible.

### **Urgent funding support is needed**

I believe the government must work swiftly with Auckland Council and other local government entities in similarly constrained positions.

While the government's focus on medium-term "shovel ready" infrastructure projects is incredibly important, there is also a need to ease the current cash flow challenges. Otherwise, short term thinking will have catastrophic economic and employment consequences.

I would urge you to consider extraordinary funding actions outside of those commonly available, including co-funding of activities, consideration of debt limits and potentially debt relief.

### **We must be future-focused**

Past economic challenges have demonstrated the effectiveness of construction and infrastructure as a form of stimulus. Infrastructure's added benefit is its significant and lasting return on investment. Once delivered, these assets continue to enhance our social, economic and environmental wellbeing rather than being a one-time expenditure.

Further, infrastructure improves our resilience to future economic downturns and facilitates more rapid recovery. We need our councils to be acting with the future in mind.

Thank you for your ongoing leadership in this most challenging of times.

Nāku noa, nā

A handwritten signature in black ink, appearing to be the initials 'PE' with a stylized flourish.

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Cc: Hon. Nanaia Mahuta  
Hon. Shane Jones

**About ACE New Zealand:** ACE New Zealand is a firm-based membership association that represents consulting and engineering organisations throughout Aotearoa. Founded in 1959, we have more than 200 member firms who employ some 13,000 staff who play a critical role in the design and delivery of our nation's construction and infrastructure sectors.