

# Progressive Thinking:

## Ten Possible Futures for Public & Community Services



### Should we revive the Ministry of Works?

*Dr Geoff Bertram*

**Even before the Covid-19 crisis arrived, the Ardern Government had been finding it difficult to get important policies implemented – as one minister put it, you could pull the levers of power but nothing would happen. The most conspicuous case was Kiwibuild, which relied on the private sector lining up quickly to build the affordable housing that the Government wanted to fund and facilitate. That programme failed when the private sector opted not to massively reallocate scarce resources from more profitable uses to foster a cheap-housing boom. (The subsequent creation in 2019 of Kainga Ora revived direct involvement of the state in housing construction and delivery.)**

Such disconnection between what the elected Government wants to do and its ability to deliver on the ground suggests that it is time to take a deep and serious look at two of the key pillars of the state sector reforms pushed in the late 1980s by the New Zealand Treasury and adopted by the Fourth Labour Government and the subsequent Bolger/Shipley National Government. Those two pillars were the “funder-provider split” and the adoption of a “new public management” model for running the civil service.

The longstanding model of a career public service, headed by senior figures drawn from within the public service ranks, and directed by ministers who were directly accountable for the delivery of public services, was dumped. The public service now operates under a managerial model with outside appointees on short-term contracts at the top. Many services are delivered under the funder-provider split by private-sector contractors and autonomous entities (such as DHBs) separate from the relevant departments, who are contracted - supposedly at arms' length - to perform the front-line work. Meantime government departments responsible for negotiation and oversight of these contracts have been stripped of professional expertise in favour of generic managers.

The contracting process is often capricious. Some of it is driven by a race to the bottom. For example, in health and education central Government has abdicated responsibility and accountability by decentralising decision-making, using the "funder-provider split" as cover for withdrawing resources. Yet responsibility for the poor quality outcomes of underfunding is sheeted home as the responsibility of the providers, not the “funder” at the top.

In other settings such as infrastructure and prisons, the public-private contracting model is vulnerable to rent-seeking opportunism by the private-sector parties.

In a crisis, the result is the spectacle of ministers and officials hyping up the effective action they are taking in terms of funding, but having to wait for delivery by others as resources trickle down to the front line workers through complex and often inefficient channels over which ministers do not have direct control.

The Public Service Legislation Bill currently before Parliament perpetuates, rather than fixes, these problems.



We would do better with a clear arrangement allowing professional providers the freedom to exercise their vocational skills and judgment to the best of their ability, within a unified nationwide institutional architecture where clear accountability for resourcing decisions and their consequences lies at the centre and the buck stops with the Minister and his or her department, where it belongs.

That has implications for the organisation of the public service. With renewed accountability and responsibility, there would be a greater need for specialised departments staffed with and headed by professional experts faced with the right incentives, and with their own in-house delivery capability.

In early April 2020, Shane Jones and Phil Twyford were publicly considering reviving the former Ministry of Works, abolished in 1988, to enable Government itself to undertake the planning and construction of infrastructure projects, rather than having to rely on contracts or partnerships with private-sector providers.

Until 1988 the old Ministry of Works and Development did the heavy lifting of infrastructure construction. It provided training and maintained regulatory standards across the construction sector. It held a vast amount of accumulated intellectual property. It was responsible for “town and country planning” and for providing Government with its own in-house body of skilled professional engineering advice.

The Ministry’s public reputation was tarnished in the late 1970s and early 1980s by its involvement with Rob Muldoon and Bill Birch’s Think Big projects, both because it operated the Town and Country Planning system that was hijacked by Think Big, and because the sheer momentum of its hydroelectricity construction programme carried it into alarming cost overruns on the Rangipo and Clyde projects. But abolishing the entire Ministry in retribution was surely overkill of the most extreme kind.

The Ministry was dismembered in 1988, with its construction business converted to an SOE (later privatised to become Opus International) and its administrative and advisory functions dispersed around other departments. Treasury’s determination to kill off a competing public-sector empire threw away decades of accumulated experience, human capital, intellectual property, and organisational clout. The accompanying, still-persisting “public-choice” rhetoric against engineers as a self-serving bunch of rent seekers continues to impoverish our governmental capacity to deliver infrastructure projects.

Development planning was separated out and vested with the Ministry for the Environment under the Resource Management Act. That separation made obvious sense after the experience of Think Big demonstrated the risk of having planning decisions captured by the promoters of large-scale “development”. But as hostility towards the RMA mounts among the proponents of headlong “development” it is important to remember the key lessons from Think Big that led to enactment of the RMA.

If indeed the Government establishes a new infrastructure construction agency properly staffed by practising engineers and planners, some checks and balances will be needed to ensure that



politicians are not able to use the power of the state to simply roll over legitimate objections to big projects.

The original intent of the RMA has been eroded and subverted by the failure of successive Governments to lay down the national standards that were provided for in the legislation and that are required to guide planning decisions. The lack of national guidance on climate change issues is only the most glaring of many areas where the state has abdicated from its prescribed role. So if indeed the vision of a new public-works department comes to fruition on the back of justified frustration with the contracting-out model and the opportunistic exploitation of public-private partnerships, it will be important not to take that as an opportunity to dilute even further the effectiveness of the RMA planning machinery. On the contrary, a robust state-sector delivery vehicle calls for stronger accountability under a reinvigorated RMA.

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