Flexible financing options for new water and wastewater infrastructure

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In Australia and many other developed countries Local and State Government entities are having to face up to the challenge of how to replace or upgrade existing water and wastewater treatment infrastructure at an affordable cost.

Many community and public owned facilities are nearing or have exceeded the end of their serviceable life while higher regulatory standards covering effluent discharges are rendering many existing plants obsolete and increasingly subject to regulatory penalties.

Environmental dictates, many not even dreamt of when the initial plant was conceived, are necessitating the ongoing and increasing testing, monitoring and reporting on ever more strict license conditions as well as employment of specialist staff and consultants. In some Australian states the resultant and seemingly uncontrollable cost of non-core water and wastewater treatment operations is a major political concern highlighted by growing public dissatisfaction.

When viewed collectively, these and related issues are forcing a total rethink in the traditional ways of financing, delivering, managing and replacing water and wastewater assets. For example utilities globally have a propensity for very large projects often overwhelmed by vast and costly civil works. Is big really best or are there alternatives? Could partnerships with industry, resource sharing, greater flexibility in the use of instruments such as part equity, subordinated debt, modified Built Own Operate contracts or even rental / lease options be a means of making much needed projects affordable?

This paper challenges conventional Local Government thinking. It outlines a new approach to the provision of new or replacement assets and explores financial options more suited to prevailing economic conditions.