

Public Private Partnerships

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PPP Definition in New Zealand

- “A **long term contract** for the delivery of a service, where the **provision of the service** requires the **construction of a new asset**, or the enhancement of an existing asset, that is **privately financed** on a non-recourse basis, and for which full **legal ownership is retained by the Crown**”



PPPs in New Zealand to Date

Hobsonville Schools

- 25 year contract
- Cost: \$110-120 million
- Open 2014



Wiri Prison

- 25 year contract
- Cost: \$840 million
- Opening 2015



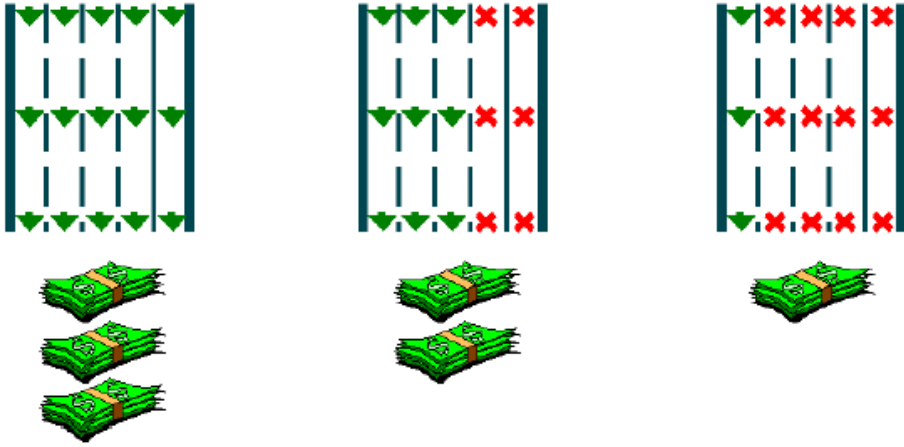
PPP Patronage Risk Transfer Models

- Private partner revenue based on patronage
- E.g. Toll road



PPP Availability Based Model (Response to previous PPP failures)

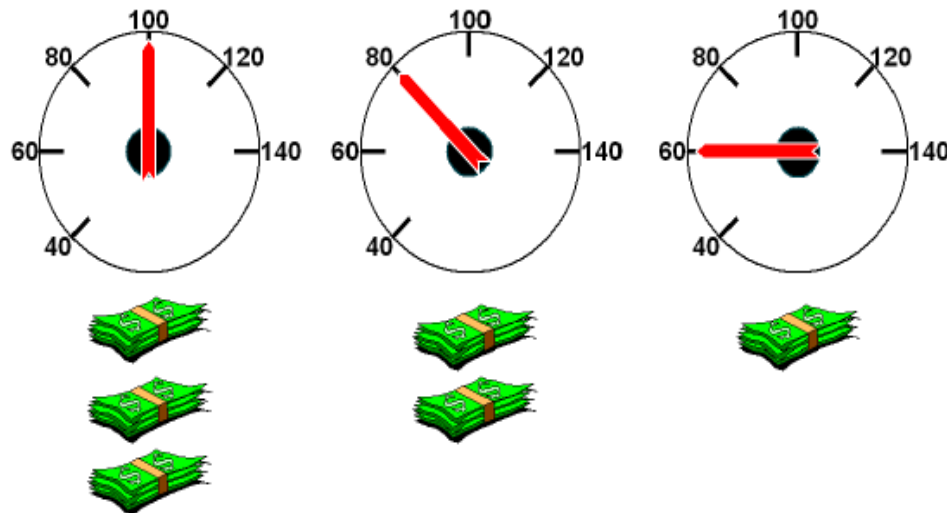
Availability



Outcome Based Performance Regime

Performance Regime used to complement the Availability Model

- Incentivises the desired OUTCOMES by putting equity and debt at risk if they are not achieved

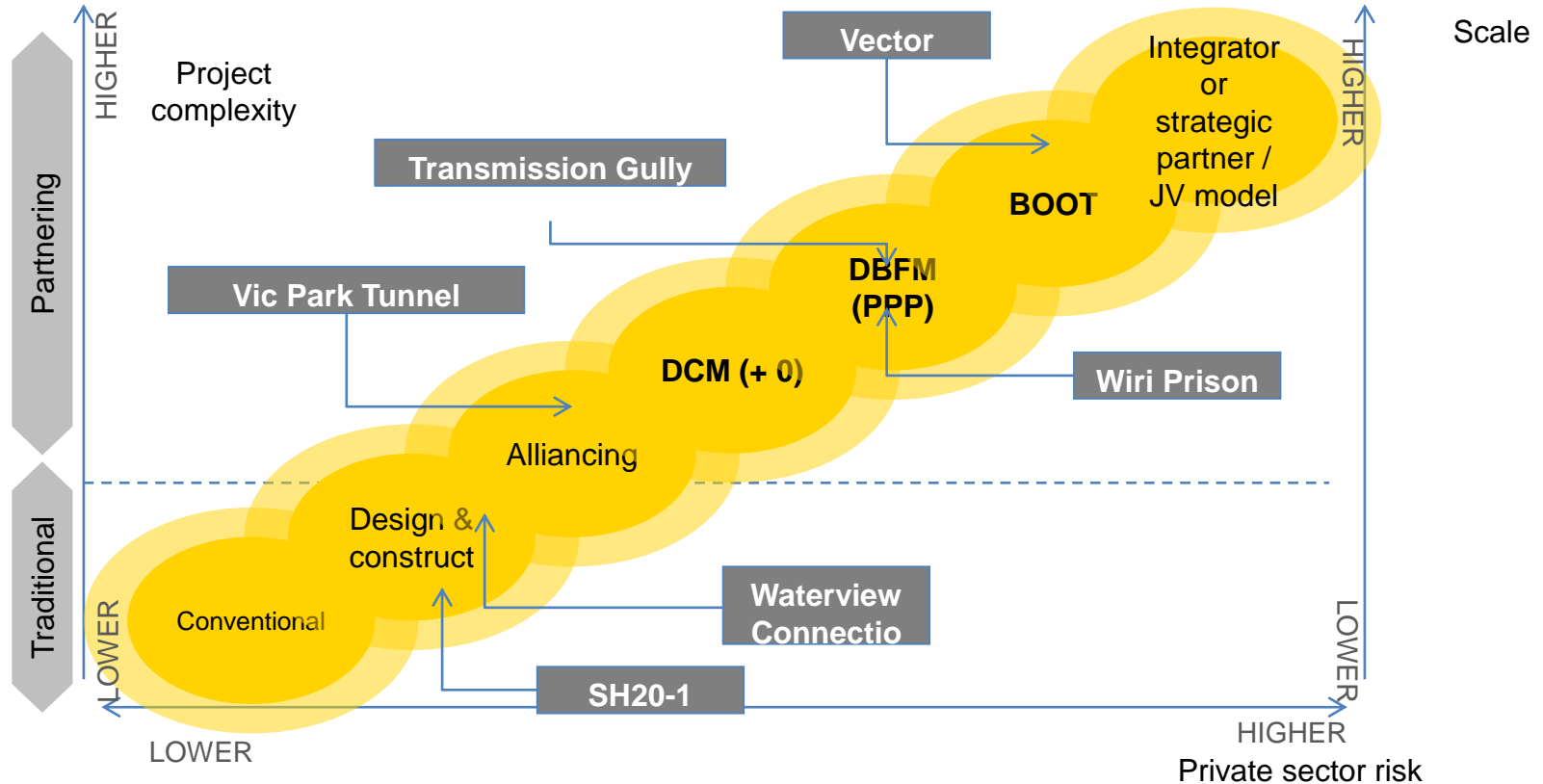


Travel Time

The Public Private Partnerships Value Proposition



PPP – Part of the Procurement Portfolio Where it delivers best value...



Why the Transport Agency has included PPP within its procurement model portfolio

Procure with PPP where it provides Better Value to do so:

- The achievement of the same or better **OUTCOMES** at the same or lower cost than can be achieved by the Public Sector using any other procurement model.



PPP – Don't judge too soon.....

Why does PPP provide Value for Money on some projects?

To provide a “better than government procurement” value proposition the private sector must:

- achieve construction, operating and risk management cost savings to offset their additional costs; and
- provide outcomes that meet the same level (or better) than government procurement would have achieved.

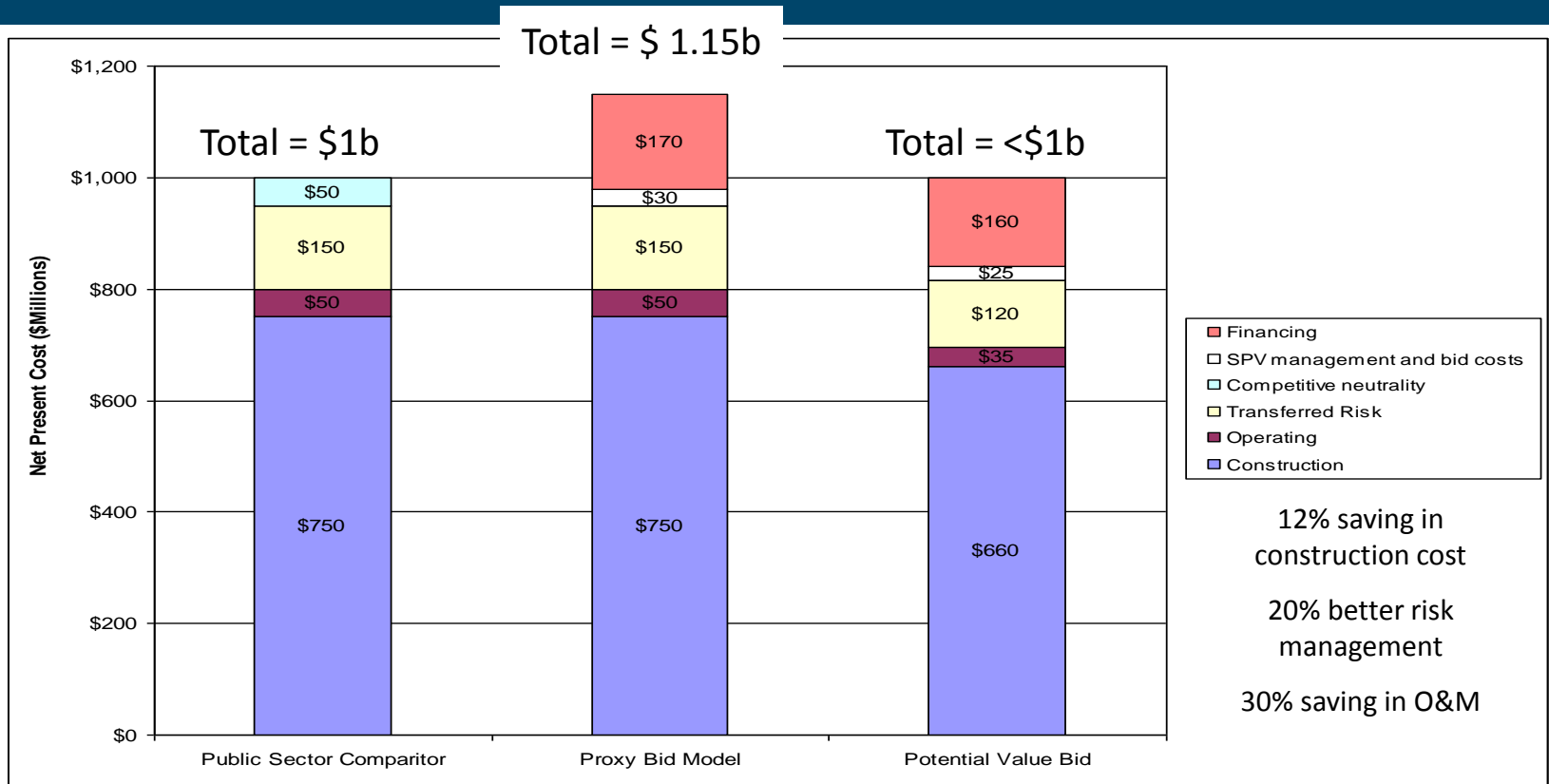


Public Sector Comparator (PSC)

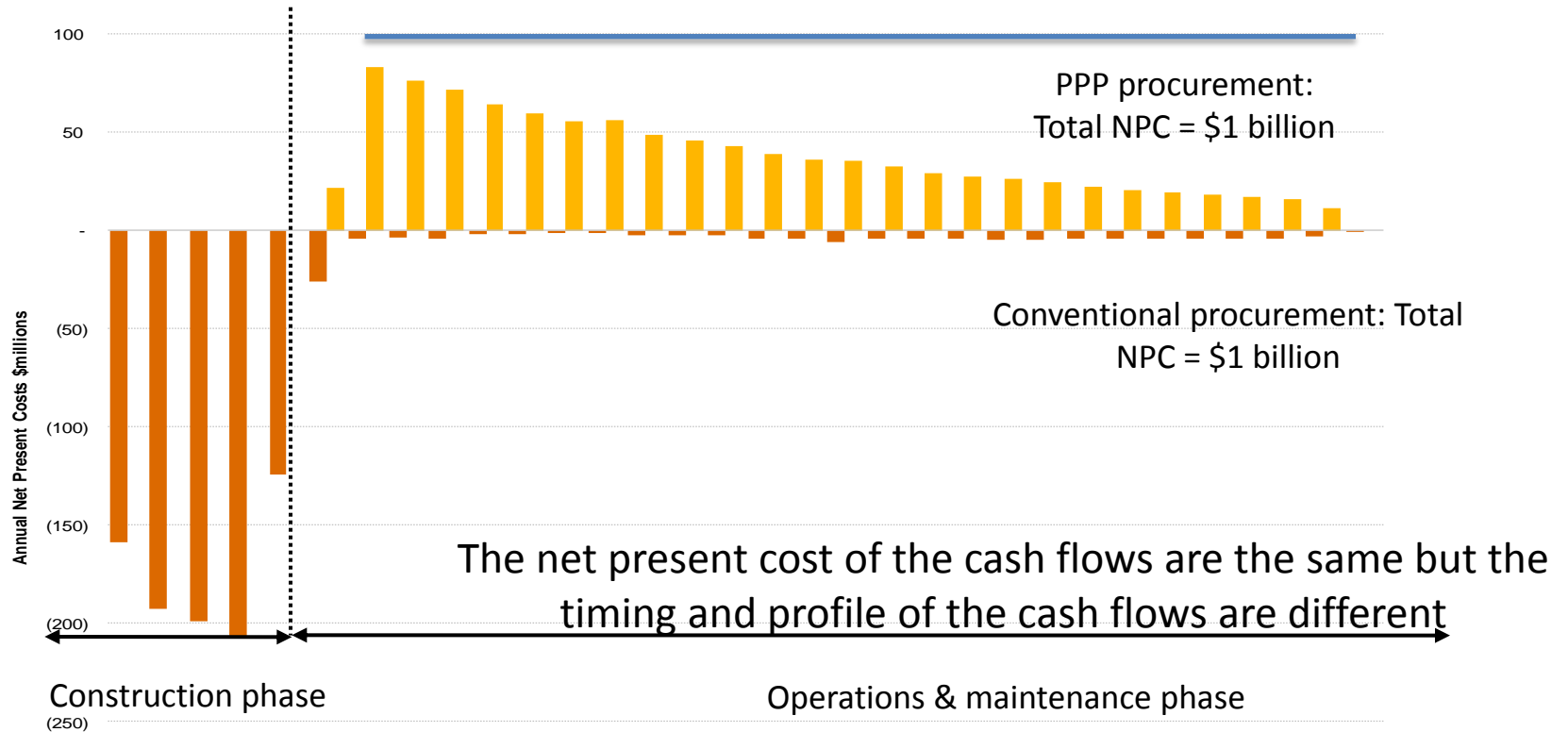
- A Public Sector Comparator is calculated as a benchmark to compare private sector offers
- The PSC is an estimate of the hypothetical risk adjusted cost if the project were to be designed, built, “financed”, maintained and operated by the government



Using the Proxy Bid Model to test if PPP can deliver best value



Payment profile: PPP vs Conventional Procurement

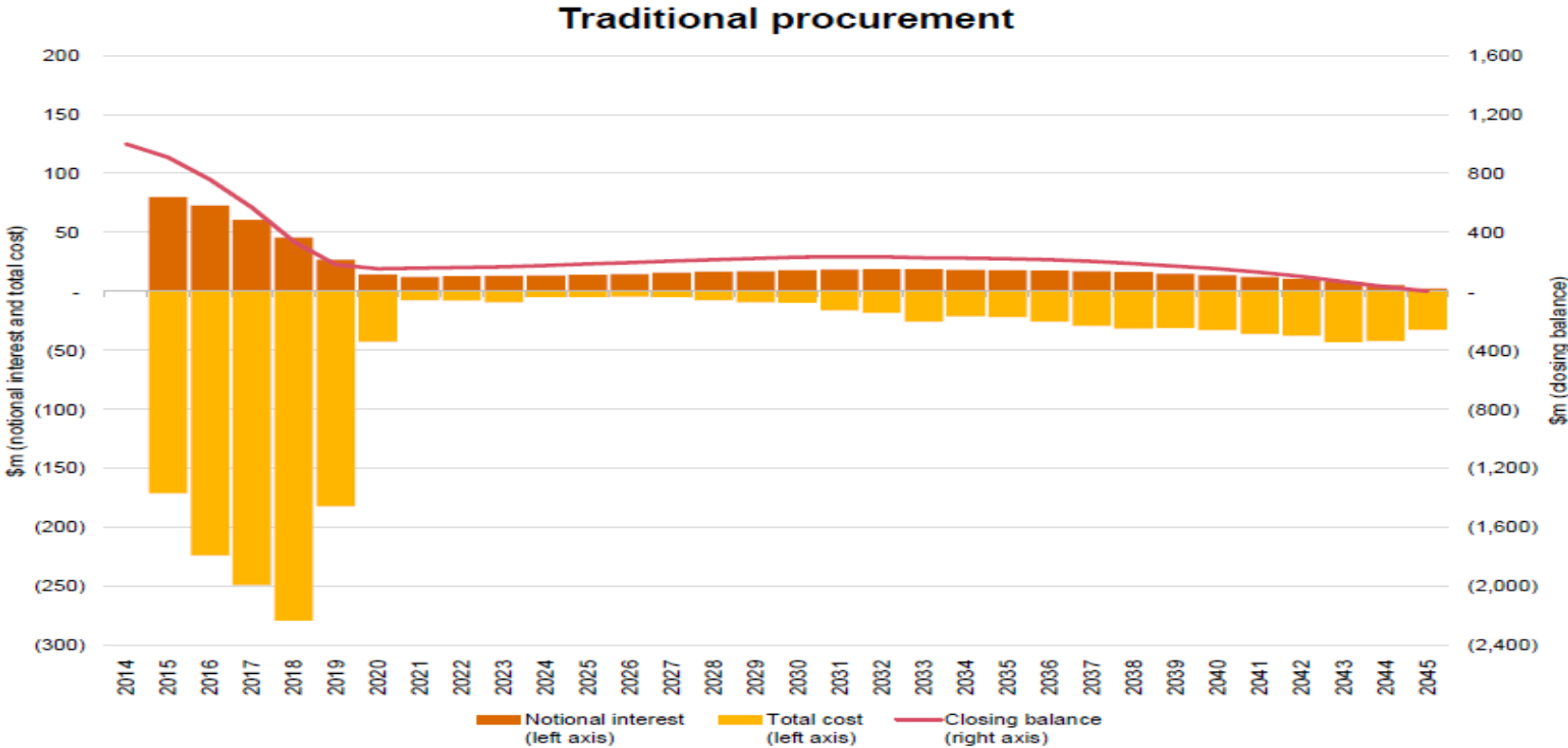


Nominal versus NPC

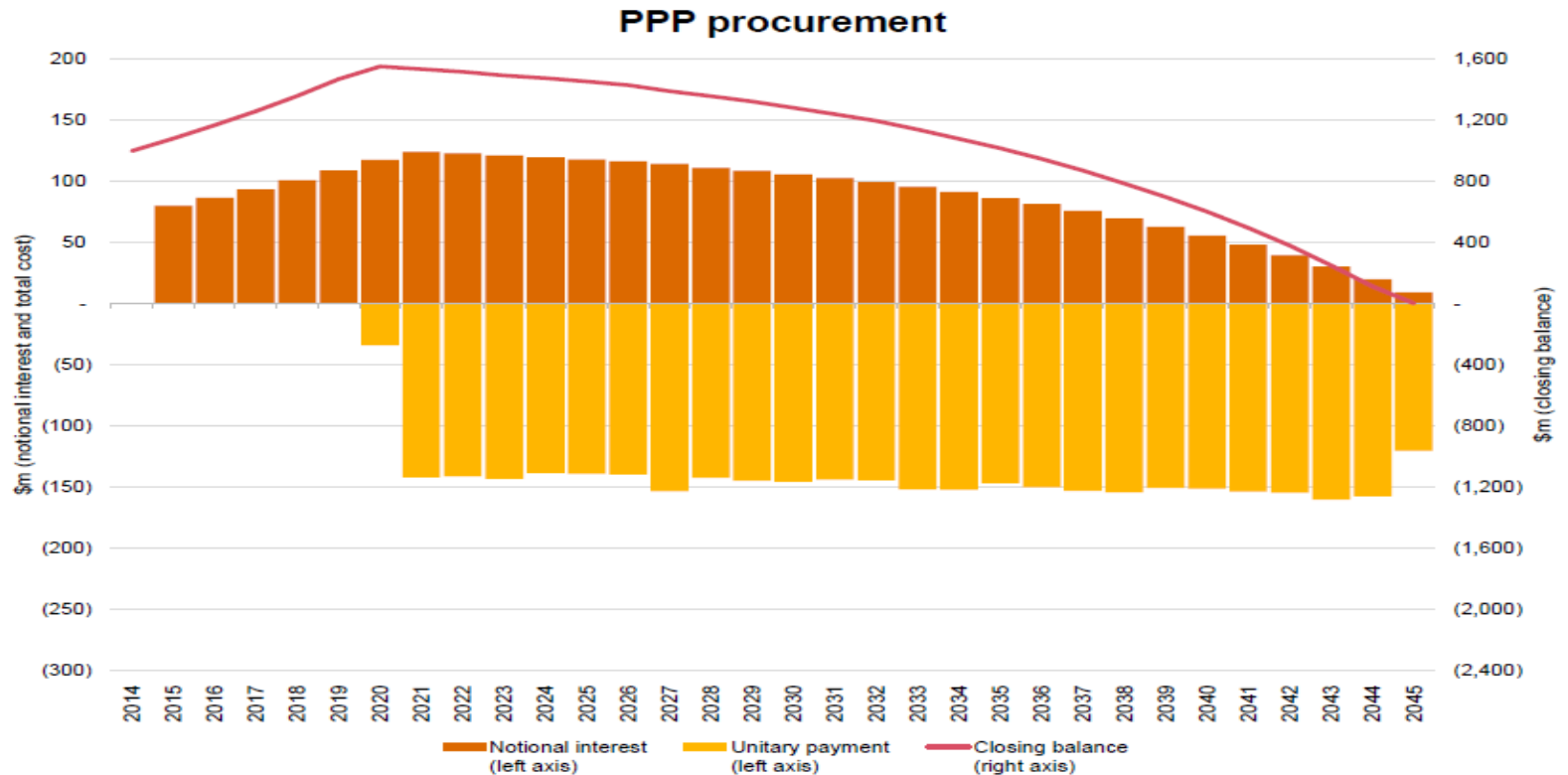
- Some commentators point out that the nominal cost of a PPP can be 3 times higher than the construction cost alone.
- Not comparable as doesn't include :
 - O&M costs; or
 - Time value of money (different cash flow timing)



Traditional Procurement



PPP Procurement



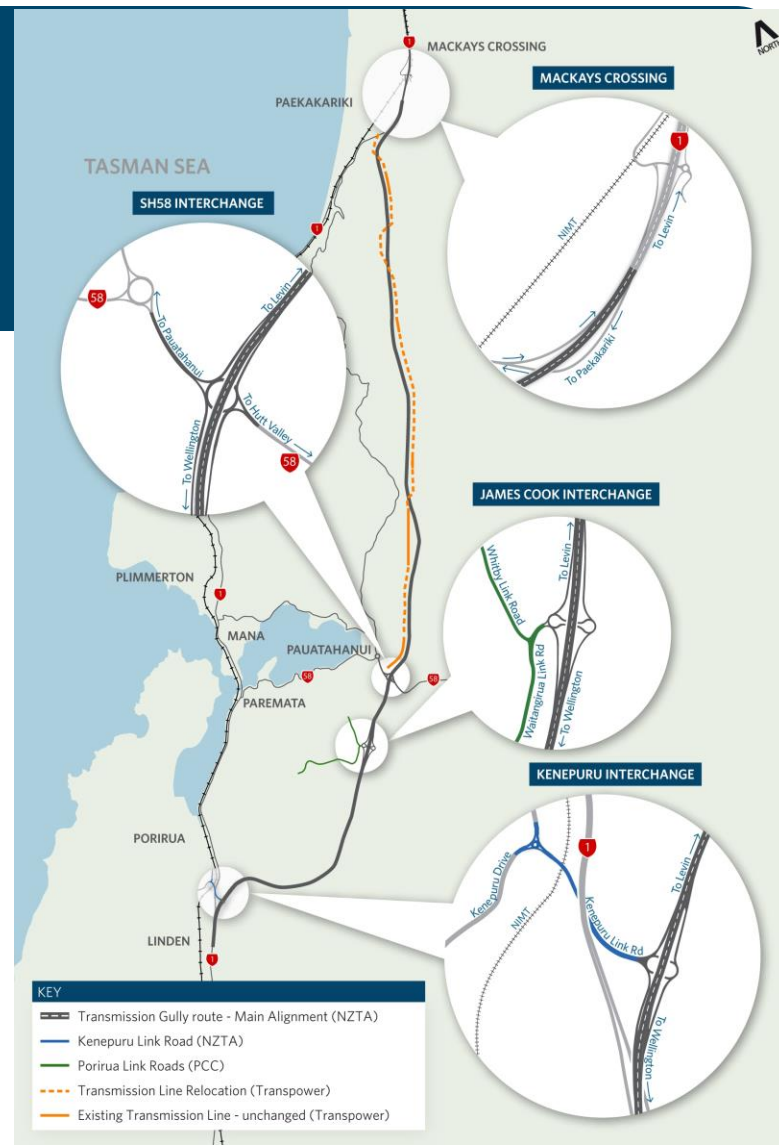
Transmission Gully NZ's First Rooding Public Private Partnership



Transmission Gully Project

Consented Design Outcomes

- Improved safety - 40% mid-block crash reduction
- Reduction in travel time
 - 10 mins from Kapiti to/from Wgtn
 - 15 mins Kapiti to Hutt Valley
 - 5-7 mins Porirua to Hutt Valley
- Reduced average travel time variability from 5-10 mins to less than 1 minute
- Improved seismic and storm resilience





Detailed Business Case

- Likely that private sector will through innovation and better risk management offset higher cost of capital and SPV costs
- PPP likely to provide best value procurement

Programme to Complete

- Issue EOI – February 2013
 - Shortlist and Issue RFP – May 2013
 - Preferred Identified – November 2013
 - Financial Close – July 2014
 - Start Digging – late 2014

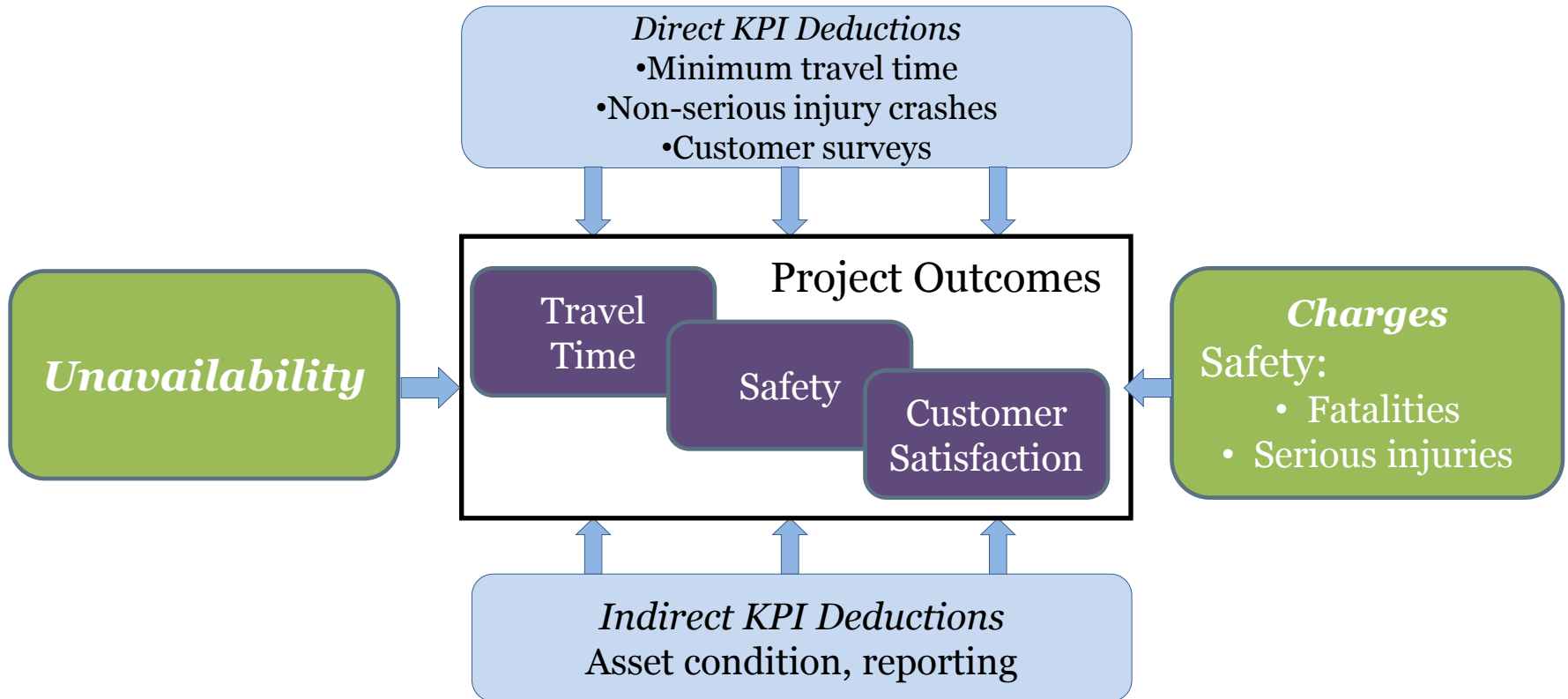
 - Road open – approx. 2020
 - Concession end – approx. 2045
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What to invest in - OUTCOMES

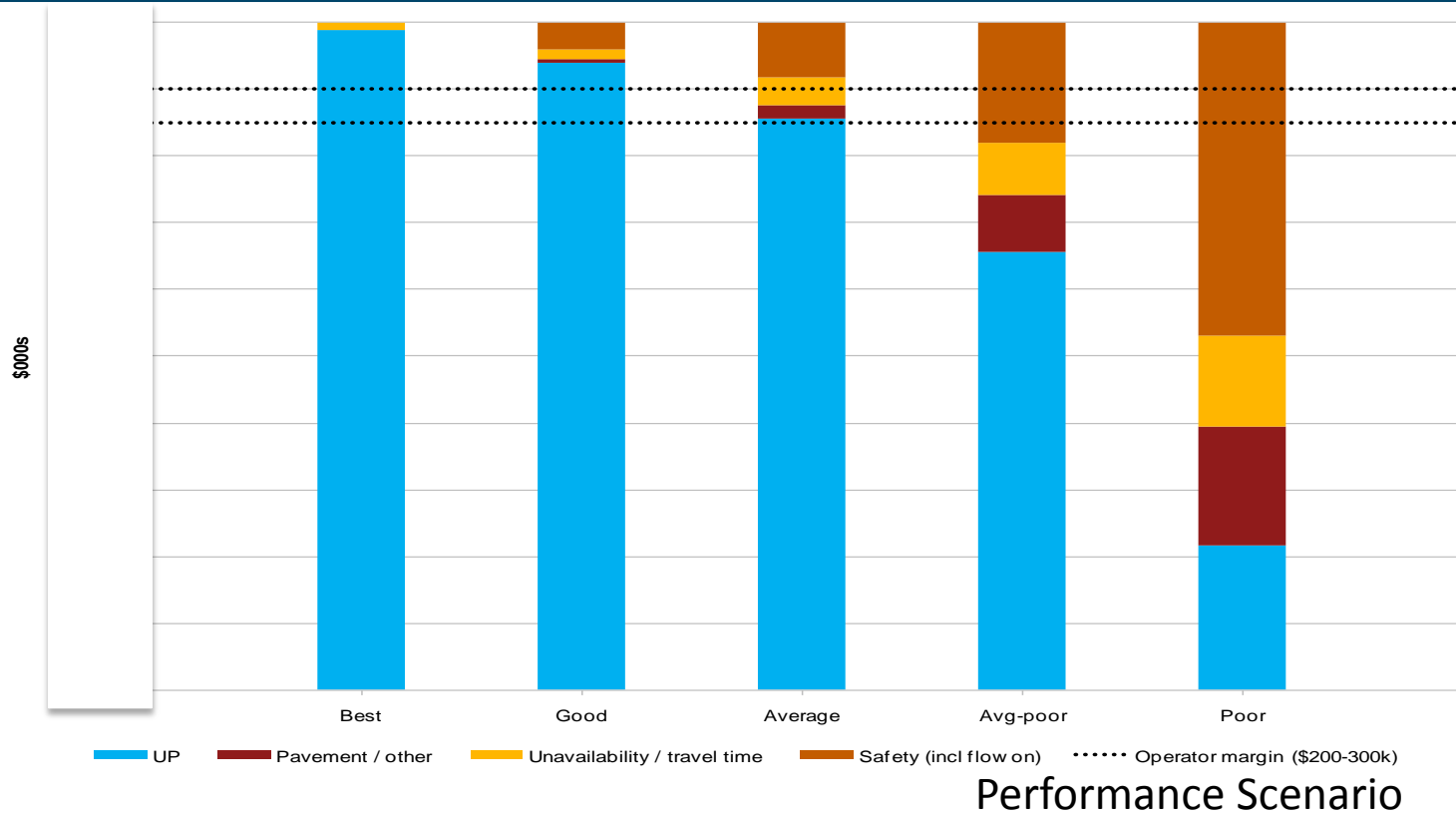
- **Safer journeys**
- **Reduced travel time;**
- **Improved travel time reliability;**
- **Satisfied Customers; and**
- **Resilience**



Commercial incentives for OUTCOME performance



Payment Regime Calibration



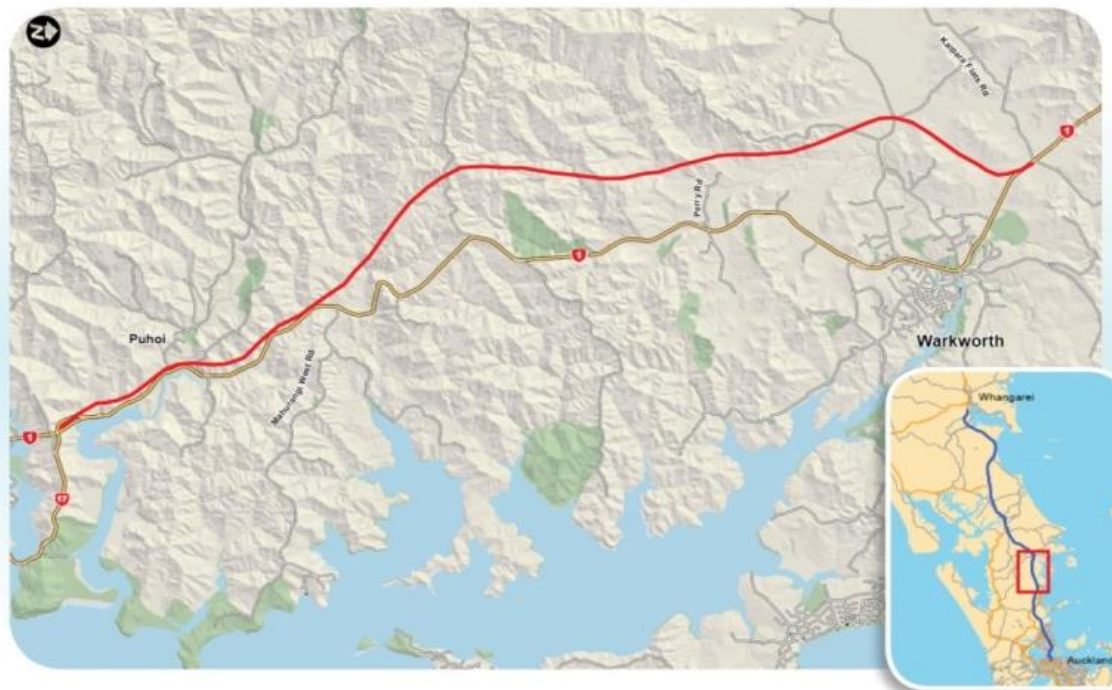
Public Private Partnerships New Zealand Pipeline



Puhoi to Warkworth (Potential RFP 2015)

A preferred route has been identified between Puhoi and Warkworth

- ▶ Preferred route identified
- ▶ Currently concluding land acquisition and designation
- ▶ Board of Inquiry expected to conclude in August 2014
- ▶ Approx. \$1b
- ▶ Expected RFP 2015



Ara Tuhona Puhoi to Warkworth Indicative Terrain



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New Zealand Government

City Rail Link



Key facts

- 3.4km twin 7m diameter tunnels
- Linking Britomart to the existing rail line near Eden Terrace
 - Three new stations – Aotea, Karangahape Rd, Newton (these may be staged)
 - Cost \$2.2b to \$2.8b
 - Potential Start 2016 – 2020

Proposed city rail link route and station locations



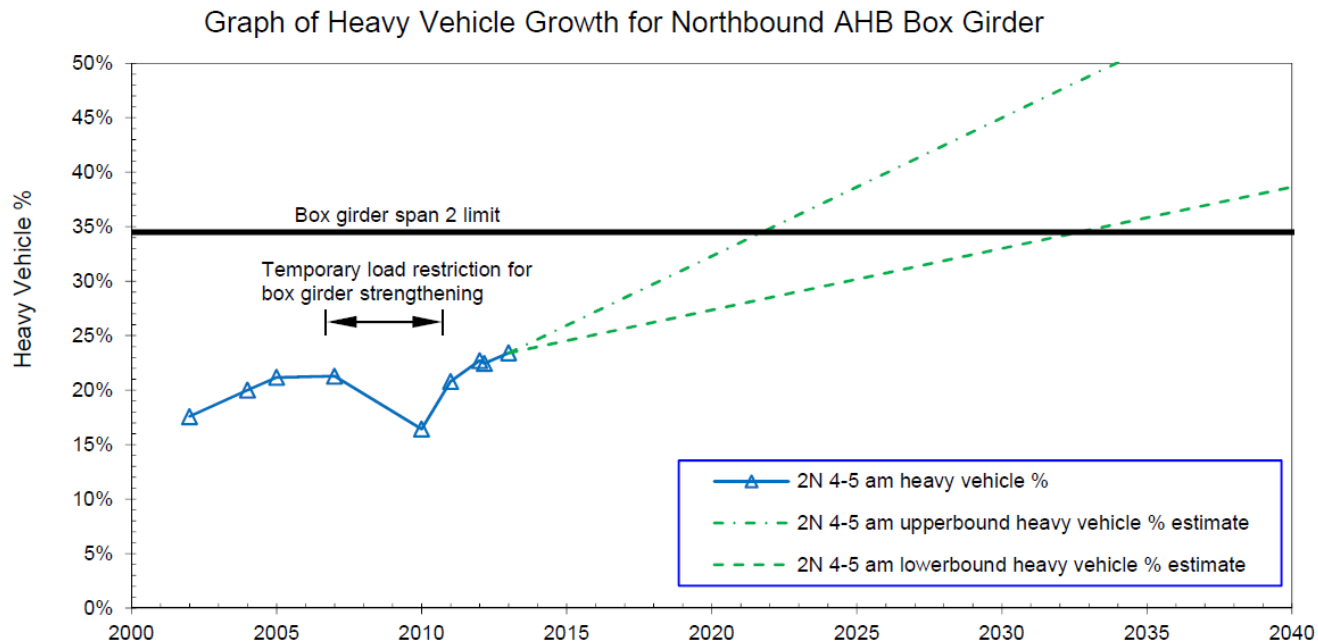
Waitemata Harbour



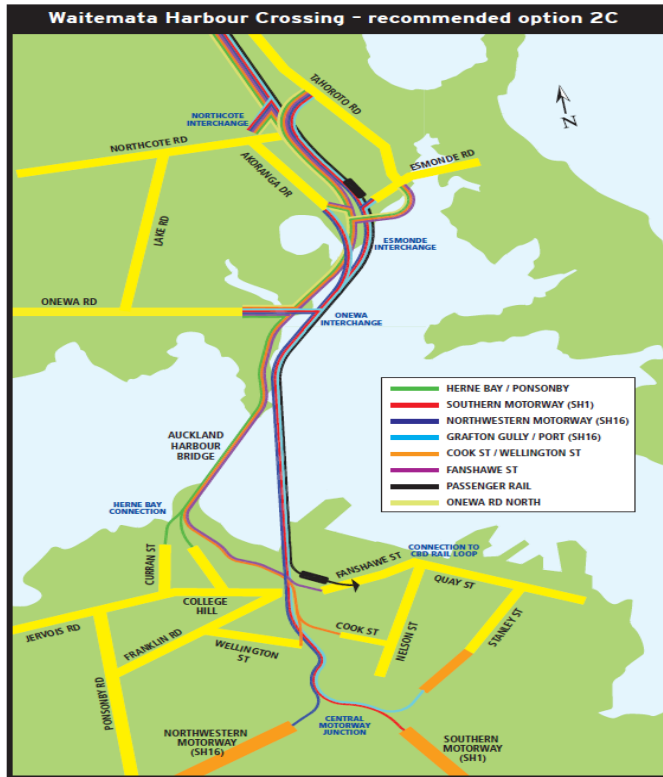
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Additional WHX Timing Requirement

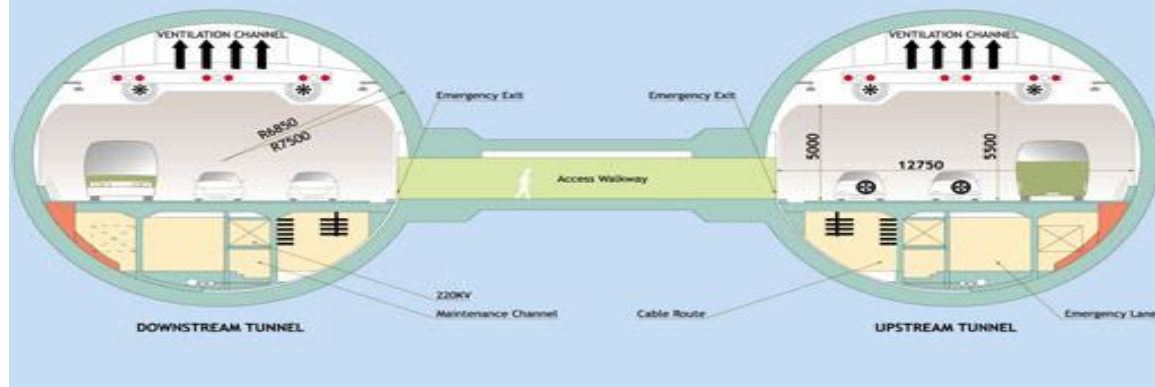


Additional Waitemata Harbour Crossing



Key facts

- Twin Tunnels future-proofed for rail below
- Cost > \$3b
- Potential start 2020 - 2025



Questions

