



THE TREASURY
Kaitohutohu Kaupapa Rawa

National Infrastructure Unit & Public Private Partnerships

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Agenda

1. National Infrastructure Unit (NIU):
 - a. *Introduction and Context for the NIU*
2. Public Private Partnerships:
 - a. *Definition and Goals*
 - b. *Business cases and PPPs*
 - c. *NIU's Role in PPPs*
 - d. *Resourcing a PPP*
3. Current Projects
4. Future Capital Intentions
5. Discussion/Questions



...The Wider Policy Context

Government's six policy drivers:

- Reviewing regulation and red tape
- Delivering better, smarter public services
- Education and skills
- Innovation and business assistance
- Reviewing the tax system
- Investing in productive infrastructure

Crown Assets

- Total assets ~\$200 B
 - Physical assets ~\$110 B
 - “Infrastructure” ~\$72 B
 - Crown cost of funds 7.5%
- ⇒ holding costs of physical assets \approx \$7 B per annum

National Infrastructure Unit (NIU)

Established in 2009

- In response to *“investing in productive infrastructure”* policy driver

Richard Forgan Executive Director

- *Team of 15*

Responsibilities include:

- *Development of National Infrastructure Plan (2009)*
- *Capital asset management (CAM)*
- *Policy and budget advice on infrastructure issues (transport, coms)*
- *Improving procurement processes and options (including PPPs)*

Public Private Partnership (PPP)

What defines a PPP?

PPP can refer to many different kinds of relationships between the Government and the private sector, but generally they are long term contracts

Public Private Partnerships (PPP)

What are the New Zealand Government's goals for PPPs?

- *Value for money*
- *Risk transfer*
- *Standardisation*

Public Private Partnerships (PPP)

Why PPPs?

- *Strengthening performance within the state sector*
- *Not about funding off balance sheet*
- *An option, subject to demonstrating value for money*
- *Ultimately one choice in a range of procurement options*

Business cases and PPPs

- A new mandated business case standard applies for capital proposals
- All proposals requiring Cabinet approval that have greater than \$25m whole of life costs must include alternative procurement options, including PPPs
- By their very nature, all PPPs will have to follow the Cabinet mandated “Better Business Cases” model

NIU's role in PPPs...

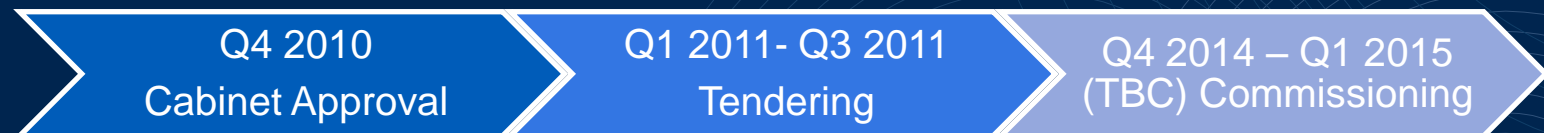
- Advising agencies considering PPP:
 - *Mandated by Cabinet*
 - *Predominately social infrastructure at present*
 - *New business case rules \$25m whole of life*
- Development of PPP toolkit:
 - *Crown standardised contract*
 - *Guidance: consideration of PPPs, commercial principles, treatment, advisors, bid evaluation*
- Supporting specific projects:
 - *Representation on governance structures*
 - *Embedded project team members*

Resourcing a PPP...

- A PPP takes approximately three years – one year business case development and two years of procurement
- Governance arrangements to support the PPP process:
 - *Cabinet approvals for the PPP project*
 - *A high level Steering Group that reports to relevant Ministers*
 - *A Working Group to develop the PPP, including business cases and tendering processes*

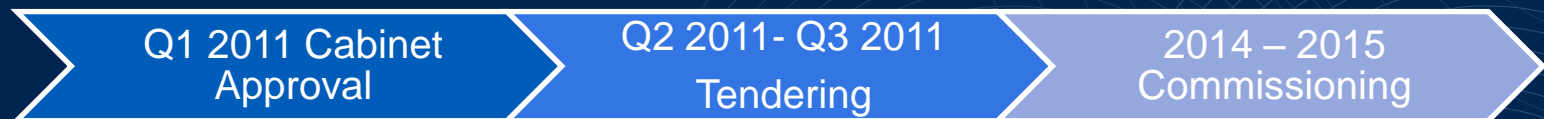
Social Infrastructure PPP: Prison

- Stage One Business Case Approved by Cabinet April 2010
 - *First project*
 - *New 960 bed Prison at Wiri, South Auckland*
 - *Custodial - Design, Build and Operate*
 - *International experience suggests possible savings of 10-20% over concession period*
- Stage Two Business Case and Final Decision expected over next few months



Social Infrastructure PPP: Schools

- Stage One Business Case Approved by Cabinet July 2010
 - *New school property – schools to be confirmed*
 - *Different from prison – Design, Build and Maintain*
 - *International experience suggests modest savings around 2-3% over traditional procurement*
- Stage Two Business Case and final decision expected early next year



Future Capital Intentions...

While two projects are in the mix, there is likely to be more for consideration in the future

The NIU is working with agencies and departments to consider PPPs in a range of sectors



Questions and Discussion

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