PUBLIC ACCOUNTS COMMITTEE

Submission to the Green Paper:

"Working with Government – Private Financing of Infrastructure and Certain Government Services in NSW"

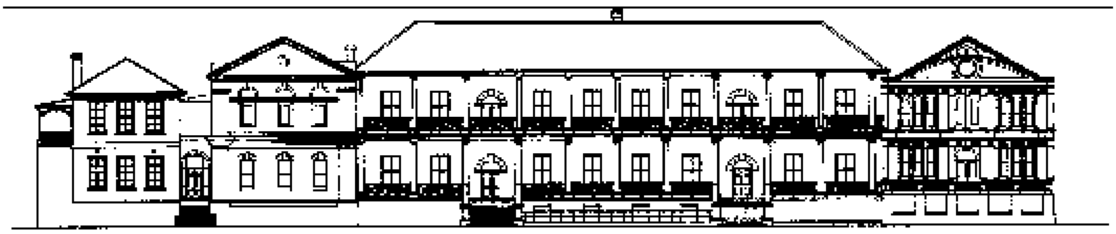

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Table of Contents

Charter of the Committee

The Public Accounts Committee has responsibilities under the *Public Finance and Audit Act 1983* to inquire into and report on activities of government that are reported in the State's Public Accounts and the accounts of the State's authorities.[1] The Committee, which was established in 1902, scrutinises the actions of the Executive Branch of Government on behalf of the Legislature.

The Committee recommends improvements to the efficiency and effectiveness of government activities. The sources of inquiries are the Auditor-General's reports to Parliament, referrals from Ministers and references initiated by the Committee. Evidence is primarily gathered through public hearings and submissions. As the Committee is an extension of Parliament its proceedings and reports are subject to Parliamentary privilege.

Members of the Committee

The Committee comprises members of the Legislative Assembly and assumes a bipartisan approach in carrying out its duties.

Chairman:	Joseph Tripodi MP, Member for Fairfield
Vice-Chairman:	The Hon. Pam Allan MP, Member for Wentworthville
Members:	Ian Glachan MP, Member for Albury
	Katrina Hodgkinson MP, Member for Burrinjuck
	Richard Torbay MP, Member for Northern Tablelands
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[1] See Part 4 of the Act – The Public Accounts Committee.

Chairman's Foreword

The Committee is pleased to present its submission on the Green Paper to the Working with Government Taskforce.

This submission builds on the Committee's previous work on the funding of capital projects by the NSW Government, including the recent release of its report on the Parramatta Rail Link.

Although that report considered a publicly funded, privately constructed project, there were a number of issues applicable to the private funding of public infrastructure. The submission draws on that report where relevant. A copy of the report has already been forwarded to the Taskforce.

One of the Committee's aims in developing this submission was to give a balanced assessment of the issues. Although the Committee's role in examining Government expenditure is clear, it also sought to ensure the interests of the private sector were fairly represented. The Committee recognises the private sector can be a source of innovation and appropriate processes can help the Government take advantage of this ability. Such a result can only be to the benefit of both sectors.

The Committee thanks Mr Rahoul Ray, Director of Transaction Services at PricewaterhouseCoopers, for the very substantial contribution he has made to the submission. Mr Ray's expertise and prior experience as Director of Structured Finance and Treasury in the Audit Office has been of great assistance to the Committee in preparing the submission. The work Mr Ray did was so comprehensive and thorough, the Committee decided to incorporate his advice as the fundamental basis on which the submission was prepared. The Committee greatly appreciates Mr Ray's professional and courteous assistance.

The Committee looks forward to the Government taking prudent measures that harness the abilities of the private sector, yet also protect the interests of the community and realise greater value for the State of New South Wales.

Joe Tripodi

Joseph Tripodi MP
Chairman

Executive Summary

Overall, the Paper is perhaps intended as a preface to more focused discussion that would move the Government's agenda forward on the issue of private infrastructure. Although many of the broad goals of Government are identified in the Paper, there is little guidance on the acceptable options that may be available to secure those goals.

In this regard, it would appear that the Paper offers little change to the present understanding that the private sector and community would already have of the factors relevant to future private infrastructure projects in New South Wales.

The Paper does provide a useful review of the present landscape for private infrastructure, although these are canvassed at a relatively high and general level. In the absence of more specific views on the options which may be considered by Government, it may be difficult for responses to add substantial value on the matters requested for comment.

The key points that the Committee wishes to raise are:

- The necessity to develop a mechanism to protect and encourage valuable unsolicited proposals received from the private sector. Appropriately handled, unsolicited proposals can be a major source of innovation.

- The merits of co-ordinating and harnessing existing skills in the public sector, to more effectively secure private sector infrastructure opportunities. One method of doing this would be to adopt the Committee's recommendations in its report on the Parramatta Rail Link. That is, to create a special unit within the Department of Public Works and Services using the staff and systems developed in the Olympic Coordination Authority.

- The possibility of using economic criteria to prioritise which areas are suitable for private sector involvement.

- Finally, the Paper's proposals for a more structured and defined infrastructure plan are desirable in principle. However, it may not be practical as it encumbers the Government and community to a course of action that may not be relevant in the future. There are a number of good reasons why the Government would wish to preserve the flexibility it presently enjoys in the manner in which it undertakes its infrastructure development.

Chapter One

Strategic Issues

The Committee supports the Government's prerogative to choose how to finance any project. However, there are a number of matters that the Government can refer to in developing policy or assessing an individual project.

Economic Criteria

Chapter five of the Green Paper discusses development opportunities for the private sector, and requests responses on suitable areas for private sector participation. The Committee considers that basic economic criteria can be used to prioritise projects for their suitability for private sector involvement.

A discussion along these lines can be found in Max Neutze's book, *Funding Urban Services* (1997). Neutze taught economics at the Australian National University (ANU), and was appointed the foundation head of its Urban Research Unit. After his retirement he was appointed Emeritus Professor and Visiting Fellow in the ANU's Urban Research Program. His suggestions include the following:

What are the opportunities for competition?

This depends on the extent of natural monopoly in the market concerned. Generally, competition is less feasible for networks (eg roads, rail, power lines, telephone lines, water pipes, and sewerage pipes), but more feasible for use of the networks and facilities connected to them (eg power plants). Note that feasibility does not necessarily imply efficiency (eg, competition between different bus companies on the same route is feasible, but probably not efficient).

How sensitive is profitability to other actions of government?

If profitability is highly sensitive, private investors are likely to put considerable discounts on future returns. An example of sensitive infrastructure is freeways. Building other roads nearby or expanding public transport is likely to affect the volume of traffic using the freeway.

To what extent is the service used to redistribute income?

Where a service is provided for equity reasons, the government is likely to place restrictions on private sector providers to ensure that equity goals are met. This will limit any innovations that the private sector might offer. The private sector will also heavily discount future returns. A typical example is public transport.

How important are externalities?

Where government wishes to ensure that a service is provided because of positive externalities (eg, public health or environmental services), it may regulate service standards and affect profitability. Normal contracting out using government funds to purchase the service is, however, still possible.

These criteria need not be regarded as absolute, but as indicators of where private sector involvement was more likely to be of benefit. He regarded the distinction between networks and other infrastructure as the most important of the criteria. The recent losses suffered by the Airport Link Company provides a good example of these criteria in action:

- The consortium had a natural monopoly on rail travel to the airport and faced no private sector competition in this market. If the Government wished to later have its own stations at the airport, it would have had no choice but to purchase the stations owned by the consortium. Admittedly, in the wider market of any type of travel to the airport, the consortium faced some competition.

- The service was sensitive to the other actions of the Government. The operators sued the Government over trains that ran late and because they did not include luggage space. Building the Eastern Distributor might have been another factor.

- The Government had a direct interest in the service, because it had equity components (public transport) and it involved an externality (less congestion). Therefore, there was always the possibility of Government regulation interfering with the facility’s profitability.

The Relevance of a Cash Stream

The Green Paper pragmatically nominates a distinction between economic and social infrastructure. It correctly suggests that this distinction is necessary because economic infrastructure has a cash stream that can support investment.

In this distinction, economic infrastructure (eg. roads, railways, power generation, water supply) is considered to be generally funded by user charges or dedicated taxes, while social infrastructure is seen as being funded from general government revenue. The Paper offers schools, hospitals and police stations as examples of the latter.

However, it may also be argued that schools and hospitals are capable of (and in many cases do) operate in a manner that permit the cash stream attributable to the capital and operating costs to be identified and captured. Therefore, to avoid confusion it may be necessary for clearer examples to be provided or finding alternative ways of describing infrastructure that may be attractive for private sector involvement.

Chapter Two

Structure of Government

Departmental Arrangements – Public Sector Skill Base

The Committee has already submitted its report on the Parramatta Rail Link (PRL), which discusses this issue in detail, to the Working with Government Taskforce. In the report, the Committee gathered evidence from the Auditor General that the public sector generally did not have the necessary skills to evaluate value for money and risk. In particular:

- The public sector has often lacked the appropriate skills, especially in contract negotiation.

- These complex arrangements are only negotiated infrequently by each agency, so the individual agencies will find it difficult to build up the necessary skill base on each occasion. However, the private sector as a whole could improve and retain the skills.

- Contracting in the required skills may be difficult, given that many of the firms the Government may want to obtain advice from may already be involved with one of the parties bidding for the project.

The Committee noted that agencies have two possible sources of advice within the public sector: Treasury and the Department of Public Works and Services (DPWS). However, Treasury has the additional role of advising the Treasurer on agency borrowings in excess of $5 million, which the Treasurer must approve under the *Public Authorities (Financial Arrangements) Act 1987*.

In the PRL report, the Committee stated that the public sector needs an alternative to Treasury as a centralised source of advice. The Committee believes that agencies have on many occasions been in conflict with Treasury over budget funding issues on a project. This conflict has repeatedly caused agencies to evade and possibly even mislead Treasury on the detail of large infrastructure transactions. This agency reaction has prevented Treasury from applying its expert scrutiny to proposals, leaving the State open to unanticipated liabilities.

Accordingly, the Committee recommended that the Government should create a centralised source of expert advice in DPWS to advise agencies on how to structure transactions involving the private sector. It should also be given the oversight function of ensuring value for money processes are complied with, and value for money is achieved. Given the Olympic Coordination Authority's (OCA) success in managing the provision of Sydney's Olympic infrastructure, the Government should consider current or former staff of the OCA for recruitment into this new unit.

The Committee refers the Taskforce to the PRL report for a more detailed discussion of these issues.

Local Government

The Paper helpfully canvasses almost all sectors of the public sectors as potential areas for private sector involvement. However, the local government sector does not appear to be recognised as a potential area of such involvement, even though the private sector is active in service and infrastructure delivery within local government.

Local government is arguably less equipped than the State Government in handling the incorporation of the private sector. Meanwhile, the contractual liabilities, while arising within a local government, will ultimately reside with the State Government even though it is usually unaware, and without control, of the potential liability.

The Committee is of the view that it would be worthwhile for the State Government to assist councils in developing basic procedures for dealing with private sector participation, monitor larger projects, and require the scrutiny of the State Government's more comprehensive expertise and experience.

Infrastructure Plans

The Paper proposes to regularly collate and publish a list of possible opportunities. This may be helpful in widening private sector involvement, provided that such a list is kept current and correctly reflects the Government's intentions at the time.

However, there is the question of whether the private sector should be permitted to rely upon the list to develop a response to those opportunities only, perhaps, to discover that the list no longer reflected the Government's intentions. It is the Government's prerogative to preserve flexibility in policy and funding. Accordingly, the Government's right to alter the status of items on, or presently excluded from the list, and to act in the public interest ought to be preserved in some manner.

In the past, some agencies' infrastructure or capital expenditure plans have neither been substantially implemented nor kept current. This has limited their value to the private sector and the general public. The flexibility of good government may come at the cost of private sector time and money.

The Current Guidelines

The Paper suggests that its timing and purpose is a natural development from the publication of *Guidelines for Private Sector Provision of Public Infrastructure* ("Guideline"). The Guideline was re-issued a number of times since its publication in 1988, with the most recent edition being released in October 1997.

Although the Guideline has been useful, for both the private sector and public sector agencies, it would be helpful if a number of potential shortcomings were addressed through the consultative and review process contemplated by the Paper:

- Prima facie, the Guideline is merely a policy document, with little or no statutory backing for the accountability and other processes therein. At the moment, its standing is arguably less authoritative than a Treasurer's Direction or Premier's Direction.

- The Guideline's jurisdiction over outer-budget-sector agencies, which represent a significant proportion of economic infrastructure, is unclear. This potentially sends mixed signals to the private sector on when and how the Guideline applies.

- The principles in the Guideline are relevant to, but not applied to local governments. Presently, the private sector is involved in infrastructure arrangements with local governments. At the same time, local governments receive a significant proportion of their funding from the State and are administered by the Minister for Local Government.

There are a number of ways that these risks can be addressed and it would be useful if the Paper canvassed some possible solutions. Considering the Committee's comments on strategy, coordination and process throughout the submission, the Guidelines clearly need revision.

Infrastructure Services Advisory Council

The Committee gives in-principle support to the concept of an Infrastructure Services Advisory Council. Its roles and functions could include advising the government on:

- value for money guidelines (on the assumption that such guidelines would seek widespread community support);
- the proposed private sector infrastructure plan;
- developments in the private infrastructure market;
- raising the awareness of private infrastructure in the community; and
- dealing with the private sector.

To achieve these outcomes, the group would need to comprise a cross-section of representatives from government and the private sector. The Committee is of the view that, to be of use, the group should demonstrate itself as an objective and independent adviser to the Government, rather than an advocate of the private sector.

Chapter Three

Improving the Process

Risk

Making an Objective Assessment of the Allocation of Risk

A significant proportion of the public discussion in this area has dealt with whether the allocation of risk between the public and private sectors is commensurate to the returns. This may have occurred because the risks being retained by the public sector have not been adequately understood. Alternatively, the risks have been ignored by public sector negotiators in the interests of closing the transaction.

This has possibly also led to an associated issue of whether the government has been fully informed of such allocations, when entering into the transactions.

The most visible impact has generally been in relation to differing opinions on accounting. This has often led to qualified audit opinions on the financial statements of the relevant government agencies and on the consolidated financial statements of the whole of government accounts.

Ensuring that Risk Allocation is Appropriate

Although there is far more awareness that risks should be allocated to the party best able to manage them, it has often seemed to be a difficult principle to apply.

There have been situations when governments have accepted risk that it would not otherwise be exposed to or manage (eg. providing indemnities to the private sector for changes to, say, income tax). Even though the private sector may take the view that governments are better able to absorb risks, there are perceptions that the private sector would seek a higher price than the government, if it accepted that risk.

At the same time, the private sector may offer to, or be requested to, accept risks that they cannot manage. This could include events reasonably in the control of the contracting government (eg. certain regulatory approvals).

Market risk (ie the revenue risk) of the project is one area that appears to be treated in a number of ways. Often, the public sector is contractually bound to support an economic level of revenue to the project, so as to insulate the private sector from equity risk. This is despite the accepted principle that the owner of an asset should be seen to have genuine equity risk in that asset. Ownership is defined by risk exposure.

In the absence of such equity risk, a possible conclusion is that the private sector, as the notional owner of the infrastructure, is acting as agent of the government by operating the infrastructure. The private sector receives a fee and is merely facilitating debt capital to the project.

There may be circumstances when the private sector is unable to manage certain market risks (eg. traffic risk on a toll road). This difficulty raises the issue of whether private funding should be involved in the project. One possibility would be to divide traffic behaviour between elastic demand in off-peak periods, and inelastic demand in peak periods. It could be feasible for the private sector to manage the risk for peak periods and allow the Government to take the risk for off-peak periods.

One implication of this approach is that reduced risk increases the value of the investment, which would need to be taken into account by Government in negotiating the contract.

Risk Management

Risk transfer can be optimised by ensuring risks are being allocated appropriately. There are certain risks managed better by one party than the other. At the same time, there are certain risks more appropriately borne by one party, although the other party may have better capacity for absorbing that risk.

There are examples in some sectors, where the basis for allocating risks between the public and private sector differ, even though the project risks are similar. This suggests each project is being negotiated on a discrete basis and the outcomes may depend upon individuals, rather than basic principles.

In this regard, the development of a “risk table” would guide all projects on the core types of risks that are in principle:

- generally acceptable to the public sector;
- acceptable to the public sector, subject to negotiation; and
- not acceptable to the public sector.

However, in all cases the prerogative of the government to modify such principles should be retained.

Outcomes

The Committee gives in-principle support for the Government being outcomes focused in dealing with the private sector to help provide public infrastructure and services. In its report on the Parramatta Rail Link, the Committee noted the Government needs to give the private sector a reasonable indication of what it is seeking. However, it also needs to allow the private sector the flexibility to offer innovative solutions, which could potentially give the best value for money.

Defining Outcomes Adequately at Commencement

The results of a number of projects are suggesting many key outcomes are being determined by the private sector as provider, rather than the public sector, which is the purchaser.

This is being demonstrated by substantial movement in the agreed price of a project, compared to the winning tendered price. This may be due to a number of reasons in the public sector, including:

- not defining the required project outcomes adequately;
- failing to remain focused on securing the required outcomes, without being attracted to "add-ons;" and
- failing to negotiate effectively on behalf of government.

Insufficient definition of project parameters also increases the private sector's tendering cost.

There are good reasons to suggest that, if the public sector understands the outcomes required and the acceptable solutions, these ought to be the basis upon which the private sector tenders. This can assist in creating greater tension in tendered prices, resulting in possibly better value for money for the public sector.

Being Outcomes Focused Rather than 'Deal' Focused

Before seeking private sector participation, many projects have commenced defining key technical outcomes. For example, they require a road to be of certain width, distance and a route maintained to a certain standard; or the provision of a utility that would deliver services of a certain throughput and quality. This is in addition to key financial benchmarks.

Some lessons learnt are that the public sector often focuses on delivering the "deal" rather than the outcomes. This can result in circumstances where certain key outcomes (in particular financial ones) are not meeting originally established benchmarks.

Impact on Environmental Assessments

Understandably, the private sector would prefer to have all environmental matters addressed prior to commencement of the tender process. However, there are a number of reasons why this is not always possible, nor desirable.

However, if the public sector can establish a process to clearly define the project outcomes, then it should also be possible to initiate some early discussions with the relevant agencies to ensure that a significant level of assessment is undertaken before going to tender, yet still maintain environmental standards. This, in turn, could improve the pace of the entire procurement process.

Value for Money

Although there are a number of issues in determining value for money, there are two key principles that need to be implemented within government to optimise value for money. Firstly, value for money principles need to be established centrally on a basis that has broad-based acceptance. These principles need to be applied uniformly across the public sector, as well as being refreshed on a regular basis.

Secondly, value for money measures ought to be applied, wherever possible, on all projects. Projects should be assessed during all key phases, including:

- initiation;
- tendering;
- negotiation;
- execution;
- commissioning; and
- operation.

Measurement of value for money during the operating phase is important, because of the length of such projects and to ensure value for money outcomes that have been negotiated are continuing to be delivered.

Public Sector Benchmark

Possible Improvements to the Public Sector Benchmark

It is understood that an equivalent of the public sector benchmark, as outlined in the Paper, is already prepared as part of the evaluation process undertaken by Government. The Paper outlines some of the key principles required in such a benchmark.

In particular, the proposition of using a project risk basis (eg. a CAPM – capital assets pricing model that discounts future cash flows by the risk involved with that type of asset), rather than entity risk (eg. a WACC – weighted average cost of capital model that discounts future cash flows by the cost of equity and borrowings) to measure the project, is helpful. This is because a project risk basis adequately addresses the issue of differences between the public sector's borrowing rate and that of the private sector.

However, the Paper has not recognised a criticism made of some benchmarks in the past. They have often been constructed with the aim of obtaining a high internal estimate in order to secure a private sector provided infrastructure transaction.

Therefore, an independently determined benchmark for each project could provide a mechanism for achieving more effective neutrality or comparison. As internal bids are a costly mechanism, other approaches can be considered.

Disclosure of the Public Sector Benchmark to Private Bidders

Although there are disadvantages in disclosing the public sector benchmark to private bidders, these generally appear to be outweighed by the advantages. It could also be possible to manage the disclosure of benchmarks in such a manner to also achieve value for money. For example, any disclosure may be conditional upon bids being subject to a certain threshold saving (eg. 15%) being achieved in tenders.

The exception to such disclosure would be if a competing internal bid were being developed within government for the project. This is because the internal bid (when normalised for cost of capital) could serve as the benchmark.

The main advantages of disclosure include:

- They define the public sector's expectation of outcomes required and expected costs.

- Provided the expectations have been reasonably determined, then sufficient competitive pricing should emerge to deliver value for money.

The main disadvantages of disclosure include:

- They could attract criticism of benchmark parameters.

- There may be less competition among bidders.

However, such disadvantages can be managed. For example, the issue of competition can be addressed by requiring a threshold saving. Benchmark parameters could be addressed through a discussion paper on the composition of the public sector benchmark. In addition, critical review of benchmark parameters would only establish more robust assessment mechanisms within government, to ensure that transparency and accountability to the public is maintained.

Transaction Costs

The size of transaction costs in various transactions has often attracted criticism. The nature of these costs have included:

- initial bidding costs of the tenderer; and
- adviser fees etc incurred by the winning tenderer and subsequently passed to the public sector via negotiation.

The Committee has previously reported to Parliament upon such circumstances (although these were not necessarily always private infrastructure transactions) and made appropriate recommendations.

Attention to issues such as risk transfer and public sector skills will have the positive side effect of reducing transaction costs, in particular:

- centralising the procurement process, by establishing an appropriately structured unit in the public sector;
- establishing principles of contract and negotiation, such as via risk tables;
- establishing standard contractual documentation, where possible; and
- defining outcomes adequately at the commencement of the process.

Intellectual Property

Intellectual property is claimed to be created at various times during a project phase. Generally, this is either prior to a project commencing or, alternatively, during the tender phase.

In its report on the Parramatta Rail Link, the Committee gave in-principle support to the Green Paper's proposal to develop a competitive tendering process that fully protects intellectual property if direct negotiations are not approved. Treasury noted during hearings many proponents wish to use intellectual property to justify direct negotiations, rather than allow their idea to be used in a tender. The Committee recommended, in special cases, the Government consider purchasing the intellectual property to allow all tendering parties to use it.

There have been various assertions in the past that such intellectual property has either been claimed by the public sector as its own or, alternatively, passed to other private sector parties. By its nature, this is a significant issue.

During a competitive bidding process, these risks can be effectively managed through the establishment of basic key controls. Without a clear framework to protect intellectual property during the bidding phase, it may be difficult to manage and defend such claims.

However, claims for breach of intellectual property may not just occur during the competitive phase of a project. For example, the risks during a pre-tender phase can be quite high. There may be some arguments in favour of a mechanism such as a register maintained by Government to protect intellectual property generated during the pre-tender phase. However, the Committee is concerned that a register may be unworkable in practice or expose the Government to litigation.

Other issues that make such mechanisms problematic include:

- The term/currency that any valuable intellectual property should be entitled to enjoy when it is brought to government, prior to the commencement of a project. Clearly, genuine new ideas developed and brought to government 15 years prior to their commencement in a project may have less value than those brought 6 month prior to such commencement.

- How to protect the value of intellectual property developed within government, to ensure such intellectual property is not recycled by the private sector and claimed by it as initiating projects.

An appropriate risk management framework would address a number of matters, including the following:

- how to record intellectual property brought to government and developed within government;
- how to assess the value of intellectual property recorded;
- how to monitor any legitimate transfer of such intellectual property;
- how to determine when such intellectual property no longer has value and when it should no longer be recorded; and
- improving procedures during the bidding process.

Ultimately, care needs to be taken in ensuring that any risk management framework developed does not create new obligations for the Government, or an environment is created where tension between intellectual property originators develops.

Provision by the Private Sector of its Financial Models

The Committee understands firms may be reluctant to provide such financial models. However, it is likely they will accept such a position if required by the Government.

In this regard, the following issues would probably be raised:

- Firms may request assurance their financial models are protected by appropriate privacy or confidentiality provisions in the law, or through contract.

- Firms may request the exclusion of their 'profit' element in such disclosure.

However, disclosure at a level that generally matches the components of the public sector benchmark should not, in principle, be an issue. The public sector, however, may be disadvantaged in the publication of the benchmark, if it is involved in any competitive process. Although it may not be in the public interest to publish the actual benchmark in this instance, it may still be possible for there to be disclosure of the financial models (by both the private and public sector) bidders against any criteria that could be nominated in a substituted pro-forma public sector benchmark.

The Committee remains concerned that if the private sector were required to disclose their financial model, there would be no means by which the Government could be assured it is the one used for the tender. Further, accountability requirements imposed by transparency measures binding the Government may place the public sector tender at a competitive disadvantage.

Unsolicited Proposals

Under the current NSW Guidelines, the Department of State and Regional Development is the point of contact for unsolicited proposals. The Committee considers this arrangement can be improved, given the Department does not manage any infrastructure, nor does it have authority over the agencies which have that function. The Committee notes the Paper suggests giving the Director General of Premier's Department responsibility for proposals with a cross-agency impact.

The Paper has suggested a mechanism for handling unsolicited proposals, which is to test such proposals in the marketplace through competitive tendering.

As a principle, this is desirable. However, it is possible this could lead to an undue amount of market testing taking place, including proposals that may not be of value to the government.

A further issue is the possibility of establishing a value that may erode over time. The question is whether the government would be exposed to payment for unused ideas.

Private Sector Expectations

The Paper's review of probity and accountability is generally reflective of the processes in place.

Although the Paper outlines such controls, the private sector has not always fully appreciated these processes often require a higher level of disclosure than in a wholly private sector transaction.

The private sector should be made aware, for example, that the powers of the Public Accounts Committee and the Auditor General are significant and often exercised when matters of public interest are on hand. Both have taken a strong interest in private infrastructure and the private sector should anticipate this to continue. This was demonstrated in the Committee's report on the Parramatta Rail Link.

In addition, the private sector should be made aware the decision process can be generally more complex and lengthy than on smaller or standard procurement transactions. This is because final approval usually rests with the Treasurer, under the *Public Authorities (Financial Arrangements) Act 1987* and the Budget Committee of Cabinet.

Appendix

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