

NSW Government Response



Inquiry into the Procurement of Government Infrastructure Projects

Additional Questions

- 1. The current project threshold for public private partnership (PPP) procurement consideration is \$100m. Would you support the bundling of projects in order to meet that threshold more easily?**

According to the NSW PPP Guidelines ('the Guidelines'), for any public infrastructure project with a total estimated capital value exceeding \$100 million, a PPP must be assessed as a potential procurement method having regard to value for money drivers.

However, the Guidelines do not prevent an agency from assessing whether this procurement approach is appropriate for a group of projects which are to be procured together. The NSW Government pursued a PPP for a bundle of nine school projects in the New Schools Project in 2003. The total estimated net present value of the project at the time of the contract award was \$131.4 million. A description of this project can be found on the NSW PPP website here:

http://www.treasury.nsw.gov.au/ppp/nsw_projects/projects_which_have_been_awarded/education/new_schools_project

- 2. Are there instances in which a PPP would be more suitable than traditional procurement for projects that are below the \$100m threshold?**

Yes there may be instances where a PPP is the best procurement model for a project with an estimated capital value under \$100m. An assessment of whether a PPP procurement approach is more suitable for a project under \$100m should consider several factors, including but not limited to whether:

- a) there is adequate market interest; and
- b) the level of risk to be transferred to the private sector.

- 3. In your evidence, you spoke about the recent bid cost engagement consultation project that the ISFU undertook. What were the key findings of this project, and how is the ISFU addressing them in terms of PPP procurement practice?**

The key findings of this project are now available online at the following link:

http://www.treasury.nsw.gov.au/data/assets/pdf_file/0018/127080/20151208_Reducing_Bid_Costs_for_Complex_Infrastructure_Procurements_in_N....pdf

The ISFU is addressing these recommendations through:

- sharing the results with other State Treasuries; and
- recommending agencies adopt the recommendations on current PPP procurements (e.g. Sydney Metro, Health Partnerships, New Grafton Correctional Centre, etc.).

4. The Committee understands that the ISFU is responsible for assembling a procurement team, which can draw representatives and professionals from the procuring Agency within Treasury.

- a. Can you generally find all the required skills within these two agencies, or is it common practice to also contract out for any skills shortages on the team? Who is the ultimate authority for the procurement team?**
- b. Once the contract has reached financial close, who is responsible for managing the project to its contracted completion? Does the ISFU have any further responsibilities or authority after financial close?**

The ISFU is not responsible for assembling a procurement team, rather it is the agency or Projects NSW on their behalf.

Projects may contract out for specialist project procurement skills such as legal, probity, financial, commercial and accounting which may not exist within the project team. The agency is responsible for managing the project to its contract completion and is required by Treasury Circular 15-16 'Managing PPP Contracts' to consult with the ISFU on any material changes to the contract during this time (e.g. change in control, refinancing, change in scope of services etc.). This Circular can be found online here:

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0004/126733/NSWTC15-16_Managing_Public_Private_Partnership_PPP_Contracts_PDF.pdf