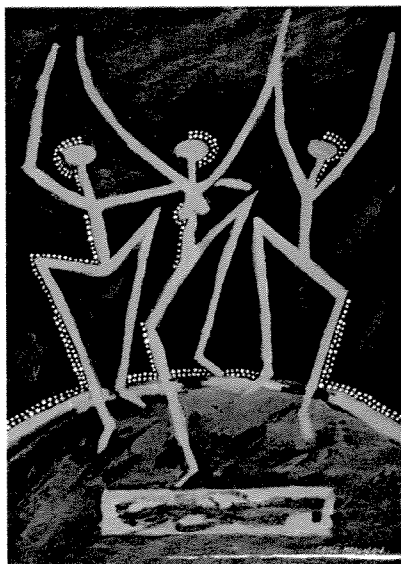


SUBMISSION IN RELATION TO PUBLIC-PRIVATE PARTNERSHIPS



PUBLIC ACCOUNTS COMMITTEE INQUIRY

Submission Prepared By

**(PROF.) SONJA LYNEHAM
(Adjunct Professor FBE UNSW)**

Director

PLANNING WORKSHOP AUSTRALIA

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SEPTEMBER 2005

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Document No.	Issue No.	Description of Issue	Prepared by / date	Verified by Director	Approved by Director
	1	Final	03/11/2005		sl
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Note: This document is preliminary unless it is approved by a Director of **planning workshop australia** Job No. 2051034

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EXECUTIVE SUMMARY

1.1 Recital

This submission is prepared in my capacity as the Managing Director of Planning Workshop Australia and Chairman of Infrastructure Procurement International Pty Ltd. For more than thirty years I have been engaged by all levels of government, major private sector corporations and industry associations in relation to major urban development and infrastructure project delivery (*Refer - Appendix 1*).

I have referred to a number of key documents including:

- *"PFI – Meeting the Investment Challenge"* HM Treasury (UK) July 2003
- *"Global Credit Survey 2005 Public Private Partnerships – Infrastructure and Public Finance Ratings"* Standard and Poor's 2005
- *"Infrastructure: Getting on with the job"* CEDA 2005
- *"Infrastructure: Action Plan for Future Prosperity"* BCA 2005

In particular, the UK Treasury July 2003 report "PFI - Meeting the Investment Challenge" is a thorough seminal review of matters directly relevant to the PPP Inquiry. The 2005 Standard and Poor's "Global Credit Survey 2005 Public Private Partnerships – Infrastructure and Public Finance Ratings" presents a global perspective into the matters underlying ratings in PPP infrastructure projects. These present an international context within which other Australian industry reports may be considered.

1.2 PPP's including PFI's as a Form of Procurement

There is extensive evidence from international and Australian initiatives that PPPs have made a substantial positive contribution to generating 'value for money' for users and taxpayers at large. Achieving this desired outcome relies on implementation of systems that are to be addressed within the terms of reference of this 'NSW Public Accounts Committee Inquiry Into Public Private Partnerships' (*NSW PPP Inquiry*). Indeed, there are various PPP projects in Australia and NSW which may beg the question [which question?] and have been the subject of substantial media and public commentary.

In Australia and NSW as in the UK there is a growing commitment of governments to reverse a history of underinvestment in infrastructure and public services over the last two decades, as variously referred to in aforementioned international and local industry and government reports.

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The UK Government's approach outlined in its 2003 report nominates basic principles in relation to delivery of public services – '**efficiency, equity and accountability**'. It goes on to state in paragraph 1.7 of its report that *"PFI is only used where it offers value for money... The Government is committed to securing the best value for its investment programme by ensuring there is no inherent bias in favour of one procurement option over another."* The report recognises that PFI is appropriate for major complex projects with high maintenance costs et al, while *paragraph 1.9* also recognises areas where PFI may not be appropriate, namely, *"... PFI is unlikely to deliver value for money in other areas, for example where the transaction costs of pursuing PFI are disproportionate compared to the value of the project or where fast paced technological change makes it difficult to establish requirements long term."*

Relevant to the NSW PPP Inquiry, while recognising the different constitutional circumstances in the UK in which the central government and central government line agencies are responsible for major capital works and services, a number of its 'key measures' as a way forward are equally relevant to NSW and are included in **Appendix 2**. These include improved assessment of value for money and greater transparency; improved delivery of PFI with standardised contracts to reduce bid costs; monitoring; accreditation of public sector advisors; creation of vehicles to co-ordinate procurement in particular areas into one place; and finally, to ensure value for money and flexibility in PFIs by 'bundling small schemes' through framework funding and credit guarantee finance.

1.3 Towards Improving Public Service Delivery – PPP's

Standard and Poor's has released its *Global Credit Survey 2005 Public Private Partnerships – Infrastructure and Public Finance Ratings*. A guest opinion provided by Richard Abadie of HM Treasury, relevantly stated:

*'Key priorities for the Treasury include enhancing the efficiency of PFI as a procurement model through streamlining the PPP bidding process, increasing the expertise of the public sector, leveraging experience and efficiency through **greater centralization of procurement**, and progressive credit guarantee financing beyond its pilot phase'* (our emphasis).

PFI is one form of Public Private Partnership, and improving 'value for money' to users and third parties and ultimately residents and taxpayers requires:

1. A mature relationship to exist between both the public and the private sector;
2. Establishing a 'critical mass' of projects with a 'critical mass' of experienced and accredited executive and staff in one place, which enhances the efficiency of the PFI procurement model and increases the expertise of the government personnel;
3. Establishing a separate legal entity within NSW with a political mandate for PPP procurement - extensive international precedents exist, and the body of

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analysis supports the introduction of new structures that have a political and legal mandate to co-ordinate and manage PPP procurement – precedents include the establishment of UK Partnerships as an advisory entity, English Partnerships for urban renewal and redevelopment projects and 4P's to assist local governments in the procurement of one off projects in the UK; VicPartnerships underpinned by a co-ordinated approach to long term infrastructure and land use strategic planning;

4. Evaluation of initiatives through a series of phases against the basic efficiency, equity and accountability principles from the initial strategic planning to the project brief specification, and calculation of the Public Sector Comparator (PSC) and post procurement monitoring of outcomes to ensure projects have been thoroughly evaluated and specified before being put to the market;
5. Instituting a 'whole of government' approach with clear lines of authority and 5 and 10 year deal flow based upon longer term strategic planning and capital investment requirements for service delivery;
6. Improving the delivery of PFI through continued refinement and standardisation of contracts and management systems;
7. Innovative approaches being piloted including the UK 'framework finance' and credit guarantee schemes; and
8. Improving transparency and accountability by addressing the limitations in past procurement management.

RESPONDING TO NSW PPP INQUIRY

1.4 Background

Over more than two decades, I have been appointed by Commonwealth and State Governments to prepare expert reports into related matters including Housing Cost Inquiries, the NSW Commission of Audit's 'Property Audit Report' in 1988, as well as providing advice to state government agencies in relation to planning, development and infrastructure. In the last two years I have convened industry working groups into infrastructure and funding, authored industry submissions to the NSW State Government in relation property and infrastructure (*Refer - Appendix 1*), and participated in the framing the CEDA 2005 Infrastructure Report. In the course of these projects, I have met with UK agencies responsible for PPP procurement projects (English Partnerships et al).

I have had regard to the terms of reference of the 2005 'Public Accounts Committee Inquiry Into Private Public Partnerships' (*NSW PPP Inquiry*) and its objective to improve the efficiency and effectiveness of government in the procurement of

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infrastructure (including funding, facilities, services) that will maximise the value to the public.

I have had the opportunity of reading the submissions to the PPP Inquiry posted on the official website. This submission endeavours to provide insights and options that will result in a strengthening of state institutions and systems, to deliver better outcomes to users and taxpayers without incurring significant initial or final regressive redistributive effects (priced and/or unpriced).

1.5 Legislative and Policy Frameworks and Practices – International, Australian & NSW

Fundamental to achieving improved outcomes, is ensuring that parties on either side of a partnership are reasonably and equally resourced and informed in the negotiation of terms and conditions of any such agreement.

The NSW State Government and its individual line agencies do not have the 'critical mass' of projects, compared with the volume and size of 'deal flows' procured by equivalent line agencies in centralised governments such as the UK.

This 'critical mass' of projects and continuous deal flow can be substantially improved at State level by establishing a separate statutory entity with a political mandate and legal authority. Such a separate 'non-line' agency with its 'critical mass' of projects would have a significantly greater probability of harnessing and bringing together high level financial and technical expertise within one area of state government.

This option is an alternative to, or could operate in parallel with, the AusCID proposition for integration across state government agencies under the umbrella of the Commonwealth.

1.6 Government Models for Evaluation & Monitoring

Throughout Europe and in the UK, there are rigorous quantitative and qualitative models applied to evaluating the direct and indirect potential risk of unforeseen consequences. There is evidence of more robust, comprehensive and systematic evaluation of demand for infrastructure and services at regional and metropolitan levels, translating into a more harmonized process for the evaluation and specification of projects by line agencies as a basis for defining the PSC.

The specification of outcomes and evaluation of projects is part of longitudinal process, commencing with strategic planning and following through a series of 'gateways' in the NSW Government Procurement Policy. These or similar steps can be described as a) strategic planning, b) project options evaluation and outcomes, c) definition of PSC, project brief and tender documentation, d) contract procurement and e) post-contract evaluation and monitoring. It is well recognised by the NSW Government in the

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aforementioned Procurement Policy that the strategic planning stages that occur prior to putting any project to the PPP market have a significant impact on 'value for money'.

Achieving improved outcomes from PPPs requires improved quantitative and qualitative evaluation at the strategic planning and option evaluation stages to avoid insufficient justification of projects prior to proceeding with establishing a realistic PSC and tendering process. The potential for improving 'value for money' is likely to be greatest at the earliest stages of this process.

Comparing projected/anticipated outcomes of PPPs requires quantitative and qualitative evaluation and monitoring of actual outcomes. Particular regard must be given to identifying 'unforeseen consequences', particularly where these have significant adverse costs and impacts upon communities within the immediate locality of PPP infrastructure as well as significant regressive impacts on residents, ratepayers and ultimately taxpayers. This supports the submission by the University of Sydney, School of Business.

The PSC is an output emerging from a rigorous evaluation of the whole of life costs of a project and its flow through consequences to users, the surrounding locality, third parties and ultimately residents, ratepayers and taxpayers. This requires expanding existing methods for evaluating projects before and after procurement to include, in addition to traditional accounting and financial feasibility methodology, a disaggregated benefit cost appraisal quantifying the initial incidence and final income redistribution.

1.7 Risk Assessment, Allocation & Management

'Value for money' is defined by HM Treasury in the UK as 'the optimum combination of whole-life cost and quality to meet user requirements'. To assist it in achieving this objective, a series of principles are enunciated and include 'the evaluation of which procurement option to use without preference for one or other options such as PFI; value for money is not taken to be the lease cost and standard of service and long term viability of the PFI contractor; commitment to value for money cannot be at the expense of employee conditions and importantly the *full evaluation of costs and benefits on a whole of life basis including an assessment of risk*" (our emphasis).

Risk assessment, and its allocation to the party most competent in managing that risk and pricing in such costs/rewards, is an integral aspect of any financial, benefit cost analysis (BCA) and disaggregated BCA – namely, incidence analysis.

In establishing the source and magnitude of risk, the robustness of the 'base case' and projections of patronage and potential revenue streams must be evaluated to ensure that shareholders, customers, and ultimately ratepayers and taxpayers, do not bear the costs after payments have been made to the initial parties to any contract – namely, contractors and financial arrangers.

Underlying ratings for infrastructure projects are estimated on the cash flows expected to be generated through patronage and in the case of major road infrastructure tolls.

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Where projects are estimated to have low patronage risk and manageable construction risk, the result is reflected in high ratings. Any such rating would also take into account other relevant factors such as the extent and strength of covenants and reserve accounts which provide protection to bondholders; exposure of bondholders to construction contract risk; debt servicing ratios; and equity distributions during the life of such projects. Accordingly, these other risk considerations are priced into the project and reflected in ratings by institutions.

In circumstances where projected patronage may appear inflated and the likelihood of variations to construction contracts by government may not have been sufficiently considered, the resultant transfer of risk management to government requires detailed consideration both in the estimation of the PSC and in the evaluation of alternative forms of procurement including PFIs.

Appraisal of patronage levels and price sensitivity should be rigorous, independently appraised by government, and based on sound data. This is an important element in the appraisal of the probability and magnitude of patronage risk particularly with infrastructure projects. Establishing the indirect cost to government and third parties associated with managing such risks are relevant considerations both in the construction of the PSC and the evaluation of alternative methods of procurement including PFIs.

Standardisation of contracts and providing clear guidelines for evaluating, allocating and 'pricing in' risk is particularly important in circumstances where the procurement of infrastructure is procured by separate State Government line agencies, or separate local government authorities. In recognition of the flexibility that is required particularly with long term contracts, it is desirable that the initial contract articulates the basis for agreement on variations and at the same time maintains 'value for money' by nominating that variations over a certain value may involve competitive tender.

1.8 Sharing of Knowledge among Government Agencies

Australia's constitutional structure of Commonwealth, State and Local Governments, coupled with its particular geography and population distribution, presents a challenge to the task of 'shared knowledge' among government agencies.

At the present time, expertise within the NSW Government resides in a number of different line agencies. Moreover, while Local Government falls within the authority of the State, it is a separately elected government and the number and comparatively small size of local authorities within NSW – particularly metropolitan Sydney compared with Melbourne or Brisbane - fragments resources and knowledge among government agencies. This fragmentation of expertise among a range of agencies responsible for physical and social infrastructure does not facilitate sharing knowledge.

The UK, as well as states such as Victoria, have created separate structures to manage PPPs, including PFIs as an alternative form of procurement. VicPartnerships is one such structure. In the UK, sharing knowledge is facilitated through the creation of separate

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entities such as English Partnerships which participates in major urban rejuvenation projects including Thames Gateway and Milton Keynes. It is a separate legal and financial entity and is a relevant model for urban development and infrastructure procurement in NSW's urban release areas and urban regeneration projects.

As has been stated previously, in countries such as the UK, the magnitude and continuity of deal flow within national line agencies is substantially greater than is the case at state level in Australia. In these circumstances, the creation of a separate statutory entity responsible for PFIs would bring together expertise and create a 'critical mass' and continuity of deal flow to attract additional expertise to government.

Other options include a 'collegiate approach' to sharing knowledge, including establishing a national forum in which the Commonwealth participates to develop standardised contracts, evaluation systems and harmonisation of relevant Commonwealth policies and programs in relation to taxation, depreciation and capital grants.

1.9 Intellectual Property - Government Management Systems

On first reading, it may appear that there is an implicit tension between intellectual property (IP) and transparency. Accountability is a fundamental principle and transparency is part of the process to ensure it is achieved. Guidelines have been developed to protect IP, however, these must be considered against the public interest and disclosure of terms and conditions that directly or indirectly affect the interest of 'third parties'.

1.10 Other Matters

In addition to specific classes of investment – primarily infrastructure (such as transport and within this roads and/or social infrastructure such as health and judicial services), there are additional classes of investment (such as regeneration or greenfield development projects) that involve a range of investments that of themselves may not be sufficiently large but taken together form a major staged investment and development program.

The NSW Government has substantial investment in infrastructure and services that also includes a property component. There are opportunities for increased PPP projects to be initiated for both 'surplus government properties' as well as the intensification of development on strategic sites for PPPs, including PFIs.

In the UK, English Partnerships is a separate corporate and financial entity which participates in PPPs for regeneration projects such as Thames Gateway and greenfields projects such as 'Milton Keynes'. There may be merit in restructuring and strengthening existing organisations within NSW to facilitate PPP projects in urban development and to co-ordinate a 'critical mass' and deal flow for the private development and investment sector, while achieving community service obligations/goals and pricing these into such projects.

APPENDIX 1 – PERSONAL & COMPANY PROFILE

PROF. SONJA LYNEHAM

Chairman & Managing Director, Planning Workshop Australia

Qualifications & Professional Appointments:

- Adjunct Professor GSBE Faculty - Built Environment, UNSW; BA & MTCP Syd. Uni.
- Fellow, Royal Australian Planning Institute (RAPI)
- Fellow, American Institute for Urban Design

Former Government & Board Directorships:

- Former Chairman of the Australian Heritage Commission.
- Member of Board of Directors of St Vincents Hospital Darlinghurst, Sydney Area Health Board, East Sydney Area Health Board.
- Member of Boards of National Housing Bodies -NACHUD and AHURI.

Special Competence:

Management of major projects; policy formulation and analysis; project evaluation; regional and urban planning; property audits; impact assessment.

Professional Experience:

Major Mixed Use & Residential Development Projects

- Ballast Point Compensation Case (NSW Land Environment Court)
- Rhodes Precinct A – rezoning, master planning & DA assessments
- Rhodes (BT Site) – rezoning & master planning
- EIS's for various sites in Rocks Sydney
- Ballast Point SEPP 5, residential flat & compensation case.

Business Parks (Office and Industrial)

- Integral Energy – high tech industrial development (permissibility) Land & Environment Court.
- Erskine Park Industrial Estate DA's.
- Macquarie University R&D Park, Master Plan for Macquarie University.
- Airport Business Park, Botany, CRI/Qantas.
- Austlink Business Park Terry Hills – development control guidelines & development applications.
- Chullora Industrial Estate, Rezoning and Master Plan, Subdivision, infrastructure & development assessments.
- AWA business park on former industrial land on Parramatta Rd., Ashfield.
- ACI Business Park for the redevelopment of the South Dowling Street former industrial estate.
- Jakarta Waterfront Redevelopment of 1,500 hectares of land including a major industrial and warehousing estate.

Strategic Planning and Major Projects – EIS's

- NSW Government Audit Commission – Property Audit
- Preparation of draft regulations for the NSW EP&A Act – 'Regional Environmental Studies', 'Environmental Impact Statements'
- Regional and whole of Local Government Local environmental Studies including heritage, the natural and the built environment.

Master Planning – Land Use and Transport

- Over 10 hospital and prison sites
- 50 mixed use development sites and extensive number of individual site master plans

Major Transport & Infrastructure Projects

- Hanoi MRT, Ciliwung River re-engineering and Jakarta Waterfront development and infrastructure project, MANS-Incidence Analysis

Regional Plans and Environmental Assessments

- Hunter Region NSW, Geelong Region (Vic), Illawarra Region (Health Services), many LGS's.
- "Brown Field" sites – BT, Orca Rhodes, Anzac Rifle Range and numerous contaminated sites

Major Project Management & Development Projects

- Jakarta Waterfront – Integrated Infrastructure, Development and Finance Packages; Legislation and Environmental Impact Assessment; EOI and Tender Documentation.

Defence Projects

- Long Term Force Disposition Policy Papers
- Defence Regional Planning and review on State by State planning and environmental policy and legislation as it relates to Defence establishments
- Leadership Round Table
- Surplus defence sites – numerous properties in Sydney, NSW.

Prof. Sonja Lyneham has over 30 years professional experience in urban development, including master planning, project management, development, staging and economic appraisal for all categories of projects. While she was Deputy Chairman of the NSW Urban Taskforce she authorised its submission to the NSW Government in Property and Infrastructure.

Sonja was appointed in 1988 to undertake the Property Audit for all NSW Government holdings for the NSW Commission of Audit. She undertook similar property audits and financial evaluations for individual agencies including Sydney and Prospect County Councils. In addition, she has completed property audits and achieved approvals for major sites and groups of sites for the Department of Defence and private sector groups. She also undertook the property audit of NSW Department of Housing and now Landcom.

She completed a major urban redevelopment project within metropolitan Jakarta (1,500 hectares) and the Ciliwung River Re-engineering Project for IBRD/World Bank undertaken with the University of Indonesia. Recently she has directed a number of master-planning projects, including Rhodes Peninsula Orca and BT; the redevelopment of the Caltex site in Leichhardt on Sydney Harbour and numerous Defence sites and major new residential communities in outer Sydney.

In planning policy and legislation she was responsible for preparation of the draft regulations underpinning environmental studies, environmental impact statements which formed the basis for regulations attending the NSW Environmental Planning and Assessment Act. She has completed similar projects or international agencies and in addition has completed hundreds of environmental assessments.

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**Infrastructure
Procurement
International** Pty Ltd.

Infrastructure Procurement International Pty Ltd (IPI) is a firm of specialist project managers and engineers who are enhanced by the recognised expertise of Planning Workshop Australia and Patterson Britton and Partners Pty Ltd. IPI's charter is to identify and undertake engineering infrastructure management and procurement projects as well as planning and engineering consultancy projects within the public and private sectors of the South - East Asian and Pacific market place.

IPI extends a successful long term relationship between the project planning and urban development consultancy of Planning Workshop Australia and the engineering consultancy of Patterson Britton and Partners. Past co-operative projects have included major urban

and tourist developments, transport infrastructure, marine related developments and water cycle management infrastructure.

The philosophy of the firm reflects the structure of the parent companies where directors are involved in all aspects of a project. This is a direct benefit to clients bringing experience and innovation to projects with consequent high quality, cost effective and time efficient results.

The directors of IPI have undertaken projects throughout all states of Australia and in Indonesia, Japan, Thailand, Singapore, Cambodia, Philippines, Vietnam, Brunei, Papua New Guinea, Fiji, Tonga, Maldives, Vanuatu, Noumea, Kiribati, New Zealand and the Cook Islands.

Company Profile

Project Managers and Engineers

specialist disciplines:
project planning and management

urban development

water cycle engineering and management

river, estuarine and coastal engineering

maritime engineering and management

structural/civil engineering and management

waste management

environmental engineering

traffic and transport engineering and management

activities undertaken:

project procurement

strategic planning

feasibility studies and concept designs

assessment of environmental impacts

detailed design and documentation

contract administration

construction supervision

project management

underwater inspections by engineering personnel



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Company Profile



Professor Sonja Lyneham
Chairman & Director
project planning and management



Robert Albon
Director
urban development



Greg Britton
Director
maritime., coastal & environmental engineering



Bruce Druery
Director
river, estuarine & coastal engineering



Paul Harvey-Walker
Director
water cycle & environmental engineering



Joe Marson
Director
environmental & water cycle engineering



Andrew Patterson
Director
Structural/civil and maritime engineering



Mark Tooker
Director
maritime, coastal & environmental engineering

River, Estuarine and Coastal Engineering

coastal process studies
coastal hazard assessment
flood studies
sediment movement
bank stability
dredging studies
artificial waterway developments
urban drainage
foreshore protection structures
sewage outfall studies
computer modelling of hydrologic, hydrodynamic & sedimentary processes
water quality

Water Cycle Engineering and Management

municipal water and wastewater schemes and treatment works
urban development
leaking underground storage tanks
major hydraulic structures
submarine pipelines and outfalls
effluent re-use schemes
operations manuals and operator training
water quality assessment
D&C and BOOT documentation tender specifications

Transport, Structural/Civil Engineering and Management

commercial and residential buildings
industrial buildings
bridges and roads
water retaining structures
maritime structures
specialist repairs to reinforced concrete
materials handling facilities
light rail systems
tollways
project packaging
tender and technical specifications
traffic and transport

Environmental Engineering and Management

water quality monitoring, management and computer modelling
engineering input into environmental studies- EIS, REF, LES, SEE.
dredging/disposal of contaminated sediments
management of multi-disciplinary teams
process engineering
toxic and hazardous waste
industrial trade waste
solid waste management
preparation of regulations for government

Maritime Engineering and Management

port and harbour works
small craft facilities
marinas
waterway and port planning
design of breakwaters, revetments and groynes
dredging and sediment disposal
waterfront developments

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APPENDIX 2 – EXTRACT: HM TREASURY JULY 2003
'PFI: MEETING THE INVESTMENT CHALLENGE'

KEY MEASURES

Box 1.3: Summary of key measures from Chapters 7 to 9

To improve the assessment of value for money, and provide for greater transparency, the Government will:

- embed value for money appraisal at three key stages of the procurement process;
- reform the Public Sector Comparator as the second stage of that process;
- reassess the role of PFI, given the evidence, in projects with small capital values and in the IT sector;
- investigate potential new areas where PFI could offer value for money – such as the management of the existing prisons estate, urban regeneration, waste management and new application in social housing; and
- confirm that to ensure that value for money in PFI does not come at the expense of employees' terms and conditions, Departments have the option of not transferring soft services staff in a PFI project, where they believe their transfer is not essential.

To improve delivery in PFI and other procurement routes, the Government will:

- rigorously enforce contract standardisation to reduce bid costs;
- enhance the role of the Project Review Group in monitoring PFI procurement by local authorities;
- set up a system of accreditation of public sector advisers and introduce an information resource accessible to all public authorities to ensure quality in external advisers;
- create vehicles to coordinate procurement in particular areas to put in place, support and share best practice; and
- research the public sector's record in bid evaluation and securing contract flexibility, to ascertain whether and what steps may be required.

To ensure value for money and flexibility in privately financed projects, the Government will:

- explore the provision of framework funding, to make available a faster, cheaper funding solution for bundled small schemes;
- pilot an additional means of funding PFI projects that combines the benefits of private sector risk-taking with the Government's comparative advantage in securing funds; and
- help ensure that the involvement of private finance does not lead to unnecessary inflexibility by consulting on the role of the Spens clause in the termination of bond-funded PFI projects and the continuing value in the private sector hedging interest rate risk.

APPENDIX 3 - STRATEGIC PLANNING AND EVALUATION

There is a direct and important nexus between the potential for achieving value for money and the successive stages of any PPP or other procurement model.

The Business Council of Australia (BCA), "Infrastructure Action Plan for Future Prosperity", March, 2005, states;

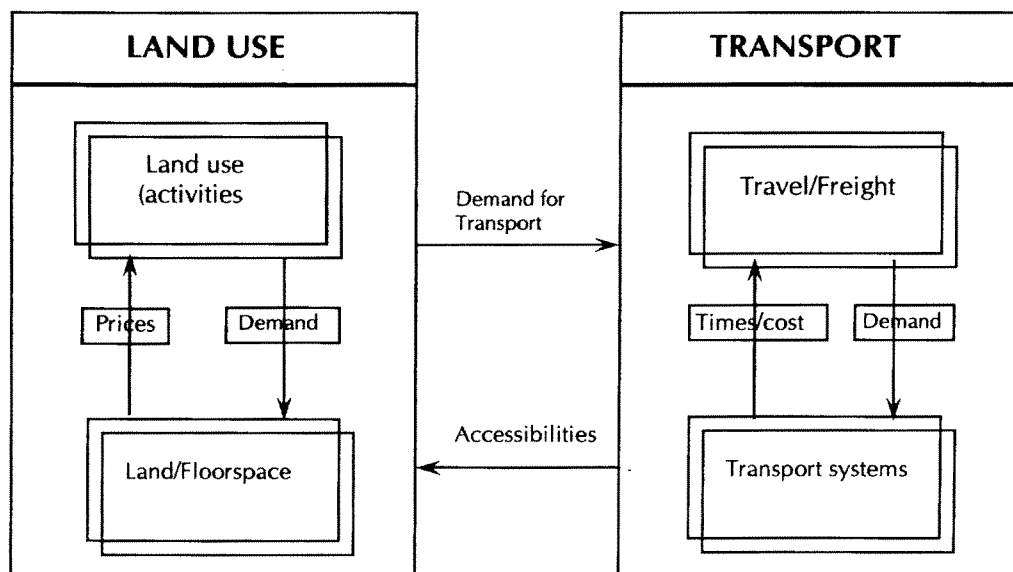
"fundamental infrastructure supporting all elements of the transport network, energy and water supplies, and the facilities to support growing and spreading urban communities – is in urgent need of reform, repair and expansion."

The report found that there was a lack of coherent transport data to meet the "strategic longer-term requirements of infrastructure development and management". Particularly lacking was data on rail asset condition, intermodal facilities and, to a lesser degree, road usage. Moreover, the report argues that "if accountability and transparency is not improved, and inter-jurisdictional conflict not removed, there is a case for hypothecation of revenue for infrastructure spending". The report concludes that

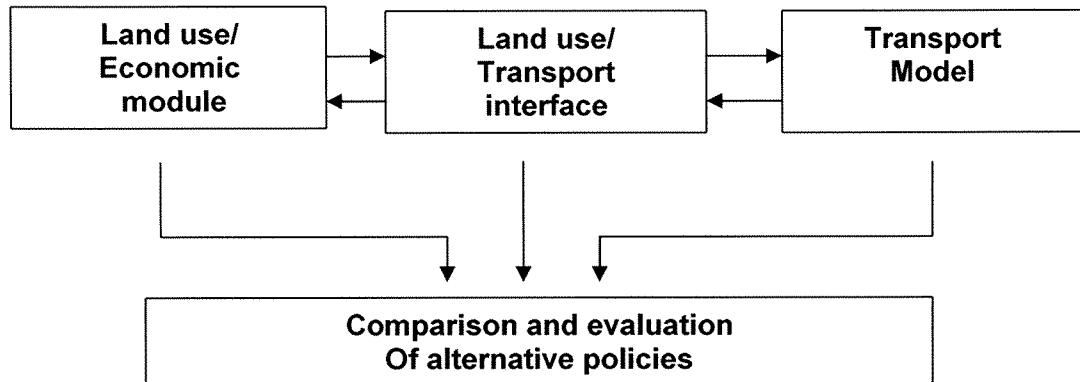
"it is not primarily a matter of money - planning and strategy comes first".

The 'value for money' in the case of investments in transport and social infrastructure at the strategic and indeed business stage of the procurement process, must extend beyond consideration of the costs and benefits to one line agency.

These relationships between property (land use) and infrastructure (particularly transport) are illustrated below:



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REGULATORY	FISCAL	INFRASTRUCTURE
<p><i>Land Use</i></p> <ul style="list-style-type: none"> - Allocations of land uses in structure plans - Restrictions on development densities - Zoning of uses <p><i>Transport</i></p> <ul style="list-style-type: none"> - Traffic (One-way streets, bus-only lanes) - Parking regulations - Effects of bus deregulation - Park & ride 	<ul style="list-style-type: none"> - Rates - Grants, subsidies to housing or industry - Tax holidays for firms - Government vs developer financing of infrastructure <ul style="list-style-type: none"> - Petrol tax - Parking rates - Bus, rail tariff structures - Tolls for bridges, tunnels - Road congestion charging 	<ul style="list-style-type: none"> - Housing - Shopping centres - Major generators (hospitals, universities, science parks, etc) <ul style="list-style-type: none"> - Local roads - Regional roads - Metro, light rail - High speed rail - New ports, airports

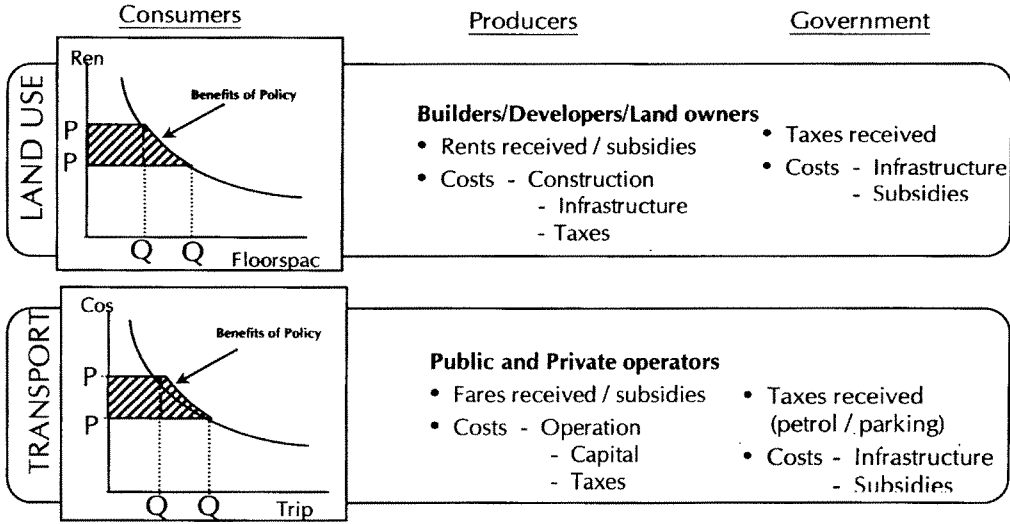
Assessment of Policy and Strategic Options

In brief, an integrated land use and transport strategy requires continuing refinement along the procurement and delivery lifecycle to assist decision makers in comparing options to respond to changing circumstances by:

- comparing physical changes to land use, development and travel (freight and passenger – for various trip purposes not limited to journey to work);
- quantifying the economic and distributional consequences to **consumers** (residents, households and travellers), **producers** (developers, transport operators), **government** – local (rates), state (property taxes, revenues & subsidies) and federal, as well as rates of return as may be required for specific projects;

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- comparing options against social and environmental indicators including land take and residential densities, air pollution, travel time costs et al to different localities and households;
- undertaking risk and sensitivity analyses; and,
- continuing to review the long term consequences of major transport infrastructure and land use decisions to feed back into the decision making process of the NSW Government.



Models such as MEP developed in Cambridge University, have been applied to specific projects including the evaluation of additional transport infrastructure required to

Whether this specific model or similar methodologies are applied, evaluation both prior to and after procurement are desirable to maximise the opportunities for improving value from PPPs.

The development and evaluation of land use and transport strategies whether for the metropolitan area as a whole, a particular release area, or a particular project, makes a significant contribution in the development and evaluation of capital investment programs over the longer time frame so as to achieve improved 'value for money' outcomes associated with specific projects. It is at this early stage that the interdependencies between investment in various projects can be most readily identified and otherwise 'unforeseen consequences' substantially reduced or managed.

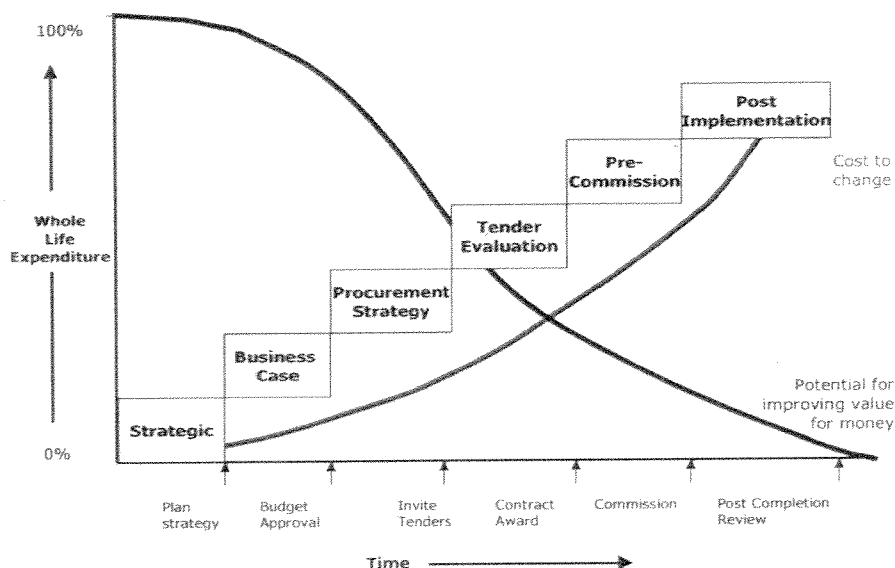
For example, Infra-News in the UK has reported the announcement by the Irish Government of its Transport 21 program and €34.4bn for transport projects in Greater Dublin over a 10 year period. This has been in response to difficulties in meeting Department of Finance projections. This release is considered by various industry groups to substantially increase the use of PPP models as a form of procurement.

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Spatial planning cannot be separated from transport planning at the metropolitan, regional or local level. They are intrinsically and irrevocably connected through market and microeconomic forces. This is recognised in the spatial planning for both land use and transport in Greater London and metropolitan cities and regions in Australia.

In the case of the South East Queensland (SEQ) Region, the spatial SEQ Regional Plan (20 year strategy) is a statutory instrument that is underpinned by a long term infrastructure plan. The SEQ Regional Plan includes spatial targets for population and employment distribution and transport plans. The Plan's implementation relies on its statutory standing. It recognises that capital investment in infrastructure gives signals to the market and drives development in particular directions. At the same time, it recognises that a spatial plan for land use must include transport, and must be underpinned by a long term infrastructure plan including, but not limited to, transport.

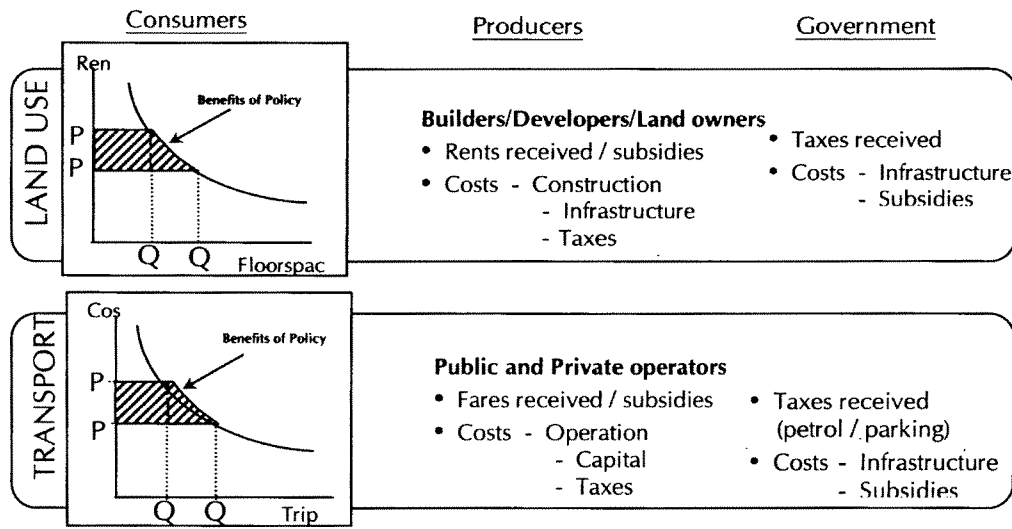
In the case of the Greater London Metropolitan spatial plan and the SEQ Region spatial plan, both are statutory instruments which provide clear direction to local authorities and indeed the market and the community at large.



This front end strategic planning of staged long term investment programs is a key stage in ensuring 'value for money' outcomes prior to PSC being calculated and projects being put to the market and negotiated through the tendering process for procurement by PFIs.

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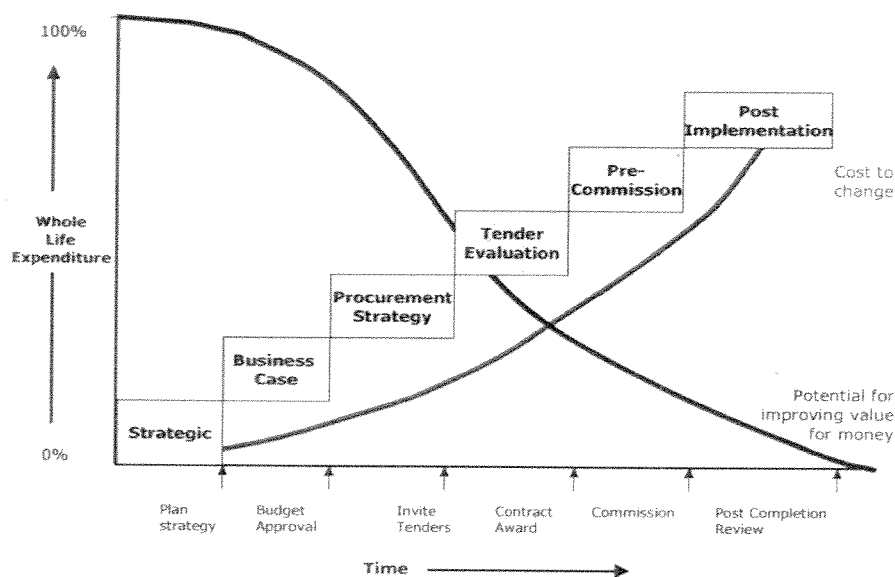
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