



NEW SOUTH WALES

Minister for Police
Minister for Utilities
Leader of the House

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MT 3468

Ms Noreen Hay MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

- 9 NOV 2005

Dear Ms Hay,

I write in relation to the request for submissions to the Public Accounts Committee Inquiry into public-private partnerships (PPPs).

In March 2005 a Ministerial Inquiry was established, under section 217 of the *Police Act 1990*, to advise me on options for accelerating the construction of new police stations and the upgrading of existing facilities. The Hon. Michael Knight AO, former Minister for Olympics was appointed to head the Inquiry. Under its terms of reference a review of operations to maximise private sector involvement in the procurement of new police stations and/or the refurbishment of existing police stations was conducted.

The findings of the Inquiry indicate that the Government would do well to leverage the strengths of the private sector. The private sector offers specialist knowledge, a capacity to manage risk, innovation, greater flexibility, stronger commercial experience and expertise and a better ability to manage costs.

The Inquiry also found that to achieve maximum benefit out of involving the private sector, the Government should consider a range of models. It is important that whenever the Government enters into an arrangement with the private sector it chooses a mechanism which is appropriate for that project. Involving the private sector is not a panacea for the infrastructure challenges faced by Government, what suits one project will not be the optimum arrangement for a different project. A model which works best for the Department of Education and Training in procuring new schools will not necessarily be the best model for procuring additional police stations.

For a variety of reasons, outlined in the body of the report, the Inquiry found that a Privately Funded Project (PFP) approach would be unlikely to yield by itself the best outcomes for NSW Police despite the model being of benefit in portfolios as diverse as Roads and Education and Training.

The Inquiry suggested that the PFP approach in isolation also does not address the fundamental issues in regard to the management of the police property portfolio as a whole. On balance the Inquiry did not believe that the Government should directly pursue PFP proposals for the construction of police stations.

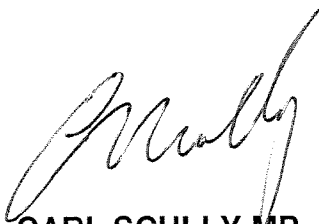
As a result of this Inquiry and its recommendations, a process is underway to procure a Private Partner to manage the whole Police Property Portfolio. The management contract is expected to commence in the first half of 2006 and includes facilities management, real estate and capital works.

A high level supervisory board is to be established by the NSW Ministry for Police to oversee the contract. Membership will consist of an independent Chair nominated by myself and high level representation from Treasury, the Ministry for Police, NSW Police and the Police Association of NSW.

Overall responsibility for strategic management of police property will continue to be held by the Government through the Ministry for Police in consultation with NSW Police and with the Private Sector Partner engaged to provide advice as to the development of strategic approaches as a result of their day to day management of the police property portfolio. Where the Private Partner identifies PPP opportunities, these will be considered by the supervisory board and where recommended to be progressed, will comply with all Government requirements for PPPs.

I support the Public Accounts Committee Inquiry. It is hoped this advice can assist the current inquiry in its investigations of the PPP models.

Yours sincerely,



CARL SCULLY MP
Minister for Police