

INFRASTRUCTURE UPDATE

A Quarterly Newsletter from the National Infrastructure Unit

Issue #1 May 2010

Developing a PPP Toolkit

- ▶ You may have heard various references by the NIU team to the 'PPP Toolkit' that is being developed. This is intended to be a repository of guidance material for use by Crown agencies and local government authorities in relation to Public Private Partnerships.
- ▶ We are conscious that we are standing on the shoulders of giants and have the luxury of being able to learn from and use the experience of overseas markets. We also have an opportunity, we hope, to adapt this experience to the NZ market in particular and to pick the best precedents from around the world, particularly where this can simplify the processes and documentation.
- ▶ Though some of the material will inevitably be fine-tuned during the course of our first 'live' project, we are quite far into the process of developing the majority of documents. The guidance material, when complete, will cover the following:

STANDARD CONTRACT TERMS AND CONDITIONS	STANDARD TENDERING METHODOLOGY
Legal/commercial contract containing the main terms and conditions that we would expect to see in a 'vanilla' PPP.	Expectations for the standard deal structure, deal process and related guidance.
PUBLIC SECTOR COMPARATOR	STANDARD FINANCIAL MODEL TEMPLATE
Document describing the method for developing the PSC, including advice about what to include in the PSC and how to determine the key parameters.	For use in bid evaluation and also after financial close to price contract variations, refinancing costs/gains, determine financial penalties, etc.
STANDARD COMMERCIAL PRINCIPLES	BID EVALUATION GUIDELINES
Government's commercial approach to, and process for, PPPs to provide confidence to the market and provide consistency for bidders.	Checklist to ensure all pertinent aspects of a bid have been taken into account and that all bids are evaluated equally.
CONTRACT MANAGEMENT GUIDELINES	POST-IMPLEMENTATION EVALUATION TOOLKIT
Checklist to ensure appropriate management of implementation and operational phases of the contract.	Process to capture lessons via ongoing and final evaluation of PPP projects (Gateway and IQA processes).

- ▶ We hope that this will enable more streamlined and consistent PPP procurement processes across the public sector, and provide the market with some comfort around the practice and the messages issued along the way. The majority of the documents will be subject to market feedback and formal external quality assurance, the exact nature and timing of which has yet to be determined, so stay tuned.

Welcome to the inaugural Update



With the market announcement last month of the first major PPP procurement process, I thought that this would be a

good time to talk about the PPP topic in more detail: from the behind-the-scenes work that is being carried out within the National Infrastructure Unit to support the delivery of our first couple of PPP projects, to the ongoing development of the PPP market in New Zealand.

- ▶ I've been in this role for six months now and remain as excited about it as ever. The NIU has a genuine mandate to make things happen - it doesn't get any better than that. With the first PPP out of the starting gate and version one of the National Infrastructure Plan released, we are making good progress toward facilitating change within the public sector, both in the way we think about infrastructure investment and the way we engage with the market.
- ▶ I find the market interaction that comes with this job genuinely enjoyable, and I thank those of you whom I have already met



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Custodial choice for Corrections

- ▶ On 14 April, Hon Bill English (Minister for Infrastructure) and Hon Judith Collins (Minister of Corrections) jointly announced the Government's intention to commission a new prison at Wiri, South Auckland, via a custodial PPP (design, build, finance, maintain and operate).
- ▶ We know the market has been eagerly awaiting the announcement on two counts: PPP or not?, and custodial services in or out?
- ▶ Well, the cat's out of the bag now ... a custodial PPP it is; a bold move for the Government, some might say, but one that we are sure will reap the intended rewards.
- ▶ We at the NIU are excited to be moving into the next phase of this project with the Department of Corrections, and look forward to continuing to engage with the market in relation to this process as well as PPPs more generally.
- ▶ The Department is currently establishing its steering committee and project team (with the NIU holding positions on both), and an RFP seeking a commercial/financial adviser has been released to the market. It is expected that an EOI for the PPP will be issued in the fourth quarter of 2010, followed by an RFP before the middle of 2011.
- ▶ The Wiri press release and Q&As can be found at:
<http://www.beehive.govt.nz/release/nz039s+first+ppp+prison+be+built+wiri>

Keeping an eye on Education

- ▶ Hon Bill English has also announced that a PPP for Education may be the next project off the block. We are continuing to work with the Ministry of Education on the application of PPP procurement to new school property.

for your welcome interest. In addition to the meet and greets, forums and presentations that I deliver, the aim of this quarterly newsletter is to keep the market up to date with NIU activities.

- ▶ This is a special "PPP Edition" whereas future newsletters will cover the wider scope of NIU work, including our updated thinking on version two of the National Infrastructure Plan. I hope you find it informative.

Richard Forgan
Executive Director

NZCID seminar

- ▶ The NIU was pleased to be invited recently to participate in a three-day PPP seminar organised by the NZCID and led by guest speaker Andrew Edkins.
- ▶ Dr Edkins has extensive experience in undertaking and analysing PPPs in the UK and ran a practical, thought-provoking seminar. It was incredibly useful to have our thinking in some areas confirmed and in other areas fine-tuned.

GHD initiative

- ▶ GHD recently organised a forum between the NIU and Queensland government representatives to discuss PPPs and infrastructure investment more generally.
- ▶ The Queensland government has delivered a sizeable (social and economic) infrastructure programme over the last 10 years,



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- ▶ The Ministry is currently developing a business case for presentation to Cabinet within the next couple of months. As stated by Hon Bill English, if a PPP was selected as the preferred procurement method for a new school, this would likely take the form of a DBFM (design, build, finance and maintain) PPP, with the State retaining responsibility for educational services.

- ▶ Analysis is still in its early stages and no decisions have been made around the specifics. We will bring you further updates as the timeframes for papers and decisions firm up.

The popularity of the pipeline

- ▶ The pipeline seems to be the cause of great discussion in the market - everyone wants to see one! Though it is important to recognise that this is New Zealand and, as a result of our size, we do not have a constant flow of sizeable public sector capital projects, we can confirm that we are putting our minds to "what's next?".
- ▶ The NIU team is currently evaluating the major capital project forecasts prepared for the Treasury by the capital intensive agencies in order to produce a shortlist of potential PPP projects. Rather than looking for new projects to PPP, we are considering those on the horizon as a matter of course and whether or not they are candidates for an alternative procurement method.
- ▶ It's still early days, and we will keep you posted. Look out for the next edition of the Infrastructure Update.



with PPPs an integral part of it. The forum facilitated sharing 'warts and all' knowledge gained from practical experience.

A mission indeed

- ▶ Richard Forgan recently accompanied Stephen Selwood and Paul Buetow on an NZCID fact-finding mission to England and Scotland, the aim being to investigate how these jurisdictions develop infrastructure policy, plan and fund infrastructure, and use PPPs and other mechanisms in infrastructure provision. They found significant potential for applying lessons in New Zealand.
- ▶ Stop-offs in England included the Infrastructure Planning Council, HM Treasury, Infrastructure UK/ Partnerships UK, the Department for Transport, Partnerships for Schools and Local Partnerships. In Scotland, they took in the Scottish Government infrastructure team, Scottish Futures Trust, Transport Scotland, Barclays Project Finance, and a tour of some PPP schools and regeneration projects.
- ▶ Unfortunately the Irish leg of the trip was aborted due to the Eyjafjallajökull eruption, leaving Richard stranded for a week while Stephen and Paul escaped by ferry to Europe for the next leg of their mission.

