Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 68

Topic: **Investments in Public-Private Partnerships**

Hansard Page: **E56**

Senator Bushby asked:

Senator BUSHBY—What about investments in public-private partnerships? Is there any intention to increase or undertake any further investments in public-private partnerships which I suspect will probably end up in the same category on the balance sheet?

Mr Ray—I am happy to take that on notice, but it is not really this portfolio.

Senator BUSHBY—That is fine.

Answer:

All Australian Government agencies subject to the *Financial Management and Accountability Act 1997* are required to apply the National Public Private Partnership (PPP) Policy and Guidelines. These require agencies to consider PPP's as a procurement method for any capital project of $50 million or greater. Agencies may be exempt from this requirement where projects have a national security dimension. The Australian Government's experience with PPP projects is recent and limited. Only two projects have commenced and a third is in progress. All relate to Defence. The majority of infrastructure development undertaken in Australia through PPPs has been by the States and Territories. The Government will consider the use of PPPs in the future if they can demonstrate value for money.

The accounting for public private partnerships (PPPs) is based on independently established accounting rules and depends on the nature of the government's investment in the PPP. As the structure of each PPP tends to be unique, each is considered on a case by case basis and it is impossible to generalise. However, there are two key principles that apply to most PPPs that are not within the general government sector (Note 1):

(a) the general government sector will record its financial interest in a PPP as a financial asset to the extent it has provided financial assistance to the PPP in the form of shares or a loan (this could be either advances, investments or equity investments, depending on the precise nature of the assistance); or

(b) the general government sector will record its financial interest in a PPP as a non-financial asset to the extent it uses the underlying infrastructure but has not funded through shares or a loan (this could be in any of the categories of non-financial assets). It may also account this way where it allows the underlying infrastructure to be used directly by the public.

Financial assistance in the form of a grant would not be recorded as an asset, but as an expense.

(Note 1 – An arrangement which is within the general government sector is unlikely to be a PPP.)