

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 109

Topic: Private-Public Partnerships

Hansard Page: E55 (03/06/2010)

Senator BUSHBY asked:

Senator BUSHBY—Is Treasury doing any work on the effectiveness of private-public partnerships in financing the infrastructure investment task that we face?

Mr Archer—The role that private-public partnerships can play in the financing and delivery of infrastructure is an issue that we have spent some time on. It is an issue that has received quite a bit of attention in Infrastructure Australia, through a number of work streams and, again, through the role that we have played in participating in the COAG Infrastructure Working Group, which is a bit of a funnel for IA reports. We have certainly had input to, and had been involved with, some of that work.

Dr Kennedy—Dr Henry is on the Infrastructure Australia council. Of course, they have had some quite detailed considerations of PPPs. Of course, we have supported his involvement in those processes through advice on papers and considerations by IA around PPPs.

Senator BUSHBY—Is this looking at effectiveness and efficiency and assessing how effective it is, how it could be improved and that type of approach?

Dr Kennedy—I guess they have taken pretty much a principles approach.

Mr Archer—There has been a couple of streams of work in relation to PPPs. One has been the establishment of national guidelines, which all jurisdictions have agreed to, to achieve some consistency of approach and provide greater certainty to potential participants in PPPs. That had been agreed in COAG. There has also been work to assess whether there have been any barriers to competition and efficiency in the financing and the provision of infrastructure and the procurement processes around them. So there has been quite a lot of work across PPPs over the last 12 to 18 months.

Senator BUSHBY—The reason I am asking is that there have been some pretty high-profile cases of failures of PPPs, particularly in toll roads. There are also concerns about the costs of bidding for a PPP, which can go into the tens of millions of dollars. What I am trying to establish is how we can improve the efficiency in the way that they work and the process, so that we can get the full benefits for Australians, whilst making sure that it works, essentially.

Mr Archer—Those are questions that are being examined at present.

Senator BUSHBY—Are there any lessons that you can help us with today?

Mr Archer—I am not sure that, off the top of my head, I am in a position to do that today.

Senator BUSHBY—You could take that on notice.

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Mr Archer—I think some of the results of that work are likely to see the light of day fairly soon, in that those work streams are nearing completion, and final consideration is taking place within Infrastructure Australia and the infrastructure working group.

Answer:

Infrastructure Australia engaged KPMG to help identify and find practical solutions to the most significant barriers to competition and efficiency in the procurement of Public Private Partnerships (PPPs).

KPMG's report, *PPP Procurement - Review of Barriers to Competition and Efficiency in the Procurement of PPP Projects* is available from Infrastructure Australia's website.

In relation to barriers to competition, the report identifies as the key issue for the Australian PPP market as being the sporadic nature of the project pipeline and the current limited ability of existing and potential new market participants to undertake an informed assessment of likely PPP projects. The report recommends the implementation of processes that act to improve both the visibility and certainty as to the Australian PPP pipeline, including:

- a. as early as possible announcement of potential future PPP projects;
- b. more consistent and rigorous application of the National PPP Guidelines on the choice of procurement method;
- c. continued commitment and leadership from governments in support of the use of PPPs in appropriate circumstances; and
- d. where possible, improved national co-ordination of the release of projects to the market.

The KPMG report found that Australia compares favourably with other countries with respect to both PPP processes and bid costs, but did recommend initiatives to further improve efficiency and reduce bid costs, including:

- a. rationalising information requirements;
- b. enhancing skills within Government project teams;
- c. enhancing project team governance structures; and
- d. only using more than one bid stage where absolutely necessary.

The Australian, State and Territory Governments are developing a plan of action to respond to the findings and recommendations in the KPMG report which will be publicly released when finalised.