

NZ Road Lighting Public Private Partnership Opportunities



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Quick Recap: What Is PPP?

- PPP provides “serviced assets”
 - In the USA PPP’s are sometimes called “Performance Based Assets”
 - Government does not pay for assets that do not meet performance standards
- Private sector is asked to form a mixed skill “consortium” to deliver a project and take risk on the outputs
- Public Private Partnership (PPP) is a procurement technique, not a financing technique
 - Finance is in the system so that payment for the asset matches the use of that asset
 - Finance provides a stick to drive better performance because the deferred payment can be contingent on performance
 - “PPP finance” is more expensive than government borrowing but the whole project can be cheaper
- Value for money is driven out of PPP projects by reliable delivery and better cost management over the contract term

Public Infrastructure Partners Fund

Funding Exists Within NZ

- Sufficient capital
- Development expertise
- Long term investors in New Zealand
- The Fund's investments are/will be "ethical"
- More investment capital can be raised

Funding Exists Internationally

- Vendor finance
- International infrastructure investors

Local partners have international technology relationships

PIP Fund Investor Group	Commitment
NZ Superannuation Fund	\$100.0 million
NZ Social Infrastructure Fund (Retail)	\$40.5 million
NZ Based Community Trusts	\$34.0 million
NZ Based Charities	\$2.0 million
The Manager	\$2.0 Million

PPP Street Lighting: Not A Pathfinder

Experience From European Cities²

Projects by Number	France	Germany	Italy	UK	Grand Total
Financial Close	3	1	1	20	25
Preferred Proponent	3	-	-	-	3
Pre-Launch	-	-	-	2	2
Transaction Launch	4	-	-	4	8
	10	1	1	33	45

Total lamps in schemes ³	France	Germany	Italy	UK	Grand Total
Financial Close	8,000	20,000	?	605,684	633,684
Preferred Proponent	8,340	-	-	-	8,340
	16,340	20,000	?	605,684	642,024

Projects by Value (NZ\$ million)	France	Germany	Italy	UK	Grand Total
Financial Close	378	?	11	3,967	4,356
Preferred Proponent	90	-	-	-	90
Pre-Launch	-	-	-	277	277
Transaction Launch	-	-	-	403	403
	468	?	11	6,060	6,539

² Source: As reported in trade press

³ Not all PPP projects publish assets adopted and/or refreshed

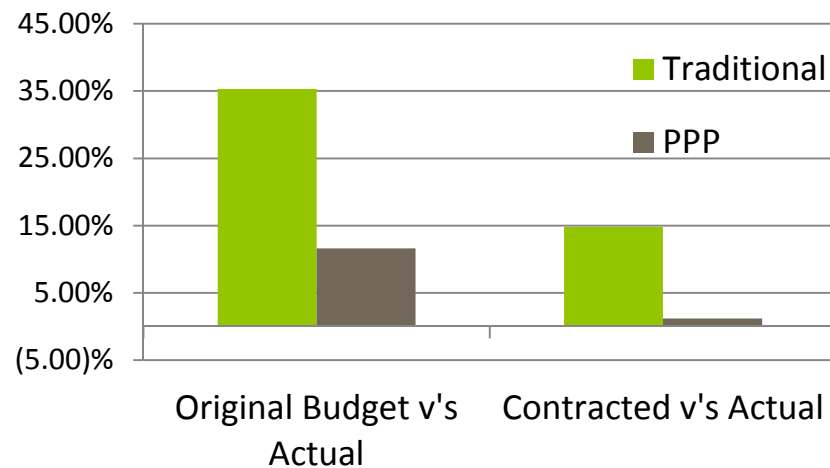
General Benefit Of A “Partnering” Approach

- Deliver on time and on budget more reliably
- Increases the speed of adoption and consortiums take risk on “untried” technologies
- Provides government with a 25 year guarantee that is not otherwise available
- Brings new skills, companies and people into the market
- Outsourcing basic asset maintenance usually frees up senior specialist time:
 - e.g. School principals, senior police no longer manage property assets
- Procurer can do more, more quickly if budgets are tight and the project delivers:
 - Cost savings
 - Additional revenue
- Asset maintenance is locked in – assets are not neglected
- Deliver better value through greater transparency about the whole-of-life costs of public assets and incentives for more effective management of them
- In NZ many of the standard “PPP Problems” can be dealt with at the outset e.g. poor project specification, change mechanisms
- NZ is a “late adopter” and benefits from other’s mistakes

Comparative Experience In Australia

Delivering on budget

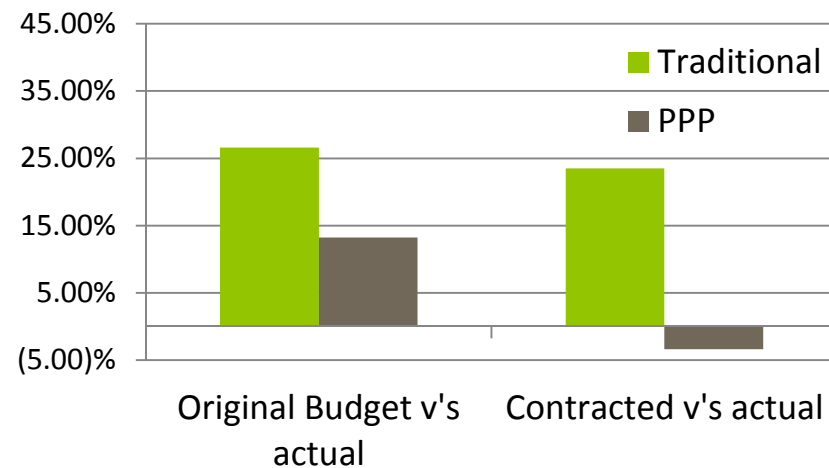
Percentage cost over run for both Traditional & PPP procured projects



• Allen Consulting Group 30th November 2007

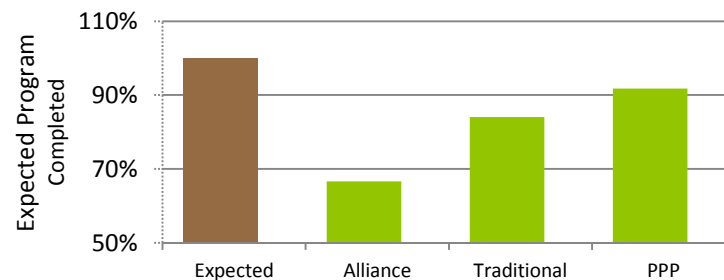
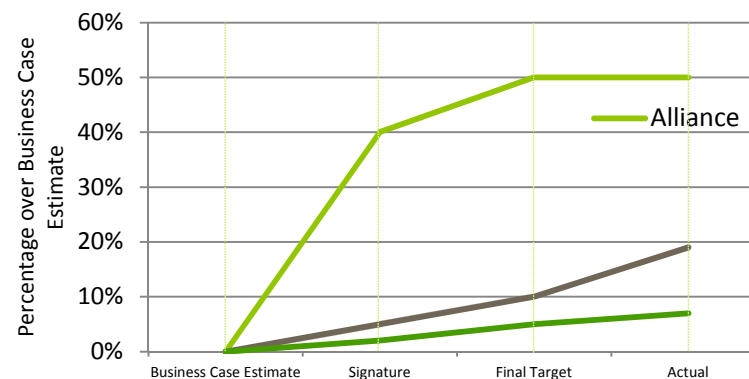
Delivering on time:

Percentage "value weighted" time late or (early)



Other Reviews: Business Case / Planning

- Procurement Decisions made at the Business Case “Estimate” stage
- Limited budgets mean a blow-out may knock on to future development
- Alliances usually chosen because:
 - Achieve early commencement
 - Develop approvals in parallel with design
- In defence of Alliances:
 - Chosen for projects where scoping was hard
 - A very broad church
 - Often selection is not based upon price at all
 - Little standard documentation



**Department of Treasury Victoria, Melbourne University and Evans & Peck: October 2009
"In Pursuit Of Additional Value"*

Conclusions

- New street lighting would save money and improve safety
- Finance is available for street lighting schemes as are the skills to deliver them
- PPP schemes bring international implementation expertise
- PPP schemes provide finance but, importantly provide a guarantee of performance
- PPP schemes upgrade assets then hand them back to the state at a predefined standard i.e. much higher
- PPP schemes allow the authority to maintain responsibility of the streetscape:
 - Defined requirement for lighting
 - New technologies give better street by street control (i.e. better than currently possible with old technology)
 - PPPs are designed to suit a procurers requirements