Partnerships Bulletin

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VOLUME 21 ISSUE 4 | MAY 2016

WATER WORLD

WHY WATER IS THE NEXT BIG THING IN PPP

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PAUL JARVIS
MANAGING EDITOR

SCOTLAND'S GRIM LEGACY

Just when you thought it was safe to get back in the water, another canard appears on the horizon, bringing with it a great blaze of unwanted – and often inaccurate – publicity.

This time, it's Scotland, where a heady mix of impending elections and a long-held mistrust of the Westminster government's PFI programme of previous decades is proving to be rather combustible.

Those in the UK PPP market have become used to watching politicians and others completely miss the point about the procurement model, and it appears that, in the wake of a collapsed wall at one PPP school in Edinburgh, the anti-PFI bandwagon is rolling faster than ever.

Clearly, the fact that the school was apparently not properly constructed – as reports that ties were not installed seem to suggest – is rightly being criticised by both politicians and commentators alike.

But to link this to the mode of procurement is at the very least a little disingenuous, especially when set against the fact that many of those howling in protest are pointing to Scotland's non-profit distributing (NPD) model as the antidote.

Perhaps it is the impending elections, but many Scottish National Party (SNP) politicians have come out in the wake of the problems to scald Westminster, and Labour in particular on its use of PFI, blaming a focus on profits as the main reason for these faults occurring. But there is little evidence to suggest such a defect would be avoided simply through the existence of an NPD contract rather than a PFI one.

Indeed, specifically because the school in question was delivered under a PFI deal, the council has been able to stop its repayments to the private contractor – a process that is far simpler than having already paid for a defective school and then having to try to reclaim some costs. In other countries, this might even be hailed as a prime example of the success of availability based contracts.

Not in Scotland, though. It is perhaps understandable that politicians are making such a loud noise on this issue. After all, in 2003 (long before NPD and when PFI in Scotland was in full swing) a BBC 'issues poll' ahead of the election found PFI to be the single most unpopular policy in Scotland.

So once again, it seems that political capital to be made out of the procurement model trumps a more rational look at what has gone wrong – and how it is being fixed.

For Westminster, and potentially the rest of Europe, this furore could not have blown up at a worse time.

In London, the Treasury is understood to be working hard with other ministries to come up with a pipeline of PF2 deals. Sources suggest that private financing of infrastructure projects is inevitable, with budgets continuing to feel the squeeze.

Similarly, in Europe, the continuing troubles with the ESA10 accounting rules means that more and more governments are looking at potentially moving their models back towards something akin to the old PFI approach, in an effort to reduce public sector control in schemes and thus ensure projects remain off the government balance sheet.

The return of PFI bashing in Scotland will make it even harder for the use of private financing of public infrastructure to get public approval. PB

Partnerships Bulletin

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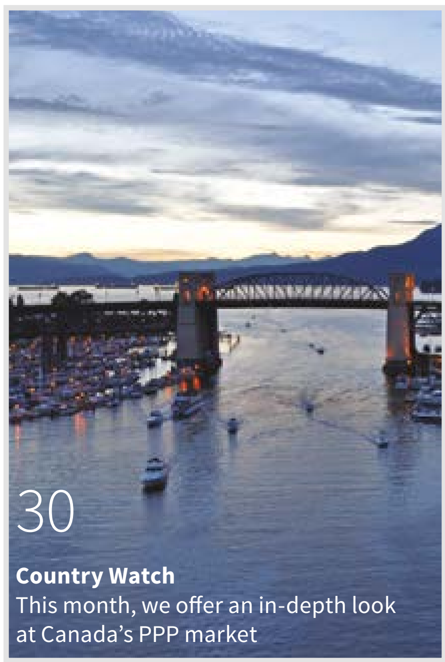

UNITED KINGDOM

Defective: one of 17 Edinburgh PFI schools facing concerns over safety

All Scots PFIs 'facing checks'

All buildings funded through PFI in Scotland are to be put through safety checks following the issues at the Oxgangs Primary School, Scottish Education Secretary Angela Constance has said.

Since an external wall collapsed at the Oxgangs school, it has been revealed that all 17 schools in that PPP bundle had defects of some sort that need to be remedied.

Constance said the Scottish government's resilience committee had decided not only to demand reviews of all school PFIs, but also hospitals, police stations and all other facilities built via PFI to ensure they are structurally sound.

partnershipsbulletin.com/news/view/100516

NPD dropped for two schemes

Two non-profit distributing (NPD) projects in Scotland will now be capitally funded to avoid delays caused by the fact that NPD projects are now considered to be on the government's balance sheet.

A source told *Partnerships Bulletin* that the Scottish Futures Trust (SFT) has decided that – rather than suffer further delays – projects that are ready to go to market will do so on a design-build basis.

The move means that the new maternity hospital and cancer centre as part of the Aberdeen Royal Infirmary Campus and the Falkirk Campus for Forth Valley College will no longer be NPD deals, while the future is still uncertain for the remaining NPD projects.

All five NPD deals in the pipeline have been delayed indefinitely while the SFT seeks to find a way around the ESA10 accounting rules that have been pushing projects across Europe onto governments' balance sheets.

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NPD problems 'won't stop' Welsh plans

The Welsh government is continuing to progress its pipeline of privately financed projects – but is quietly dropping reference to the non-profit distributing (NPD) model.

Sources close to the programme have confirmed that the Welsh government is willing to abandon parts of the NPD model to ensure that projects remain off the public sector balance sheet. "Aspects of the NPD model will need to change," said one source.

Another explained that elements such as the requirement for a public interest director, the ability of the public sector to take surpluses, and the requirement for the public sector to hold a 'golden share' could be dropped in the final contracts for the Velindre Cancer Centre and Heads of the Valleys road projects.

Sources suggested that the NPD term will likely be dropped, with officials understood to currently be referring to the projects as PPPs.

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Ofgem tenders latest OFTO project

Energy regulator Ofgem has issued the tender seeking pre-qualifications for the Burbo Bank Extension offshore transmission owner (OFTO) contract – the only project in Tender Round 4 of the OFTO programme.

The 258MW Burbo Bank Extension is jointly owned by Dong Energy (50%), KIRKBI (25%) and PKA (25%) with an initial transfer value of £230.2m. A draft agreement is now available, with an invitation to negotiate to be launched in September and a preferred bidder expected in March 2017.

Tender Round 5 will be launched later this year and includes the Dudgeon, Race Bank, Walney Extension, Galloper and Rampion wind farms.

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BUSINESS NEWS

Allianz closes two refinancings

Allianz Global Investors has refinanced the Bryon Residence project between UPP and Nottingham Trent University, providing £67.3m of the £78.5m total. Byron Residence became operational for the academic year 2013/14, with capacity for 2,000 students. Allianz has also signed Italy's first European Investment Bank (EIB) Project Bond, refinancing the €830m Passante di Mestre motorway in Venice.

Meridiam takes Portuguese road stake

French investor Meridiam Infrastructure Finance II has acquired a 36% stake in Portugal's Norscut road concessionaire from French construction firm Eiffage. Norscut is the project vehicle for the 156km A24 toll motorway, with 14 years remaining on the concession. French engineering group Egis is also a stakeholder in Norscut, through its unit Operscut. The team was awarded the contract in December 2000.

Housing associations consider merger

Three major housing associations are to merge, creating a new organisation capable of delivering 100,000 new homes.

L&Q, the Hyde Group and East Thames have begun talks over a potential merger that would create one of the top four housebuilders in the UK.

"Together, the three organisations will be able to build 100,000 new homes across London and the South East – 35,000 more homes than they could have achieved alone, representing an investment of £25bn over the next 10 years," the organisations said.

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UK backs private finance for stations

The UK Treasury has published its responses to the National Infrastructure Commission's reports on smart power, the future of transport in London, and improving connectivity in northern England, which were published in the run-up to March's Budget.

In its plans for northern England's HS3 route, the commission urged the redevelopment of Manchester Piccadilly station, and the government has supported this with extra investment for the HS2 Growth Strategy.

"This work will include proposals for funding and financing of any proposed station redevelopment, including for significant private sector and local contributions," the government response said.

On London's Crossrail 2, the government said that it "agrees that where possible the private sector should be involved in the development and funding of stations and their surrounding areas". It added that the Department for Transport and Transport for London would "work together to identify opportunities for leveraging private sector funding".

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Welsh govt refuses racing track guarantee

The future of the Circuit of Wales racing track in Ebbw Vale is in doubt after the Welsh government said it would not provide a 100% guarantee for the debt on the £357m project.

Welsh finance minister Edwina Hart has written to first minister Carwyn Jones saying that exposing the government to 100% of the risk was too high, adding that there is "a significant question around the viability of the project".

"In these last few days we have considered that a guarantee of 80% of the total value of the project may have reduced our risk to an acceptable level, but the Circuit have not been able to secure any real private risk capital and so this option has not been possible," she wrote.

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TfL bill drops partnerships clause

A bill in Parliament that had previously proposed allowing Transport for London (TfL) to enter into limited liability partnerships has progressed after the clause enabling the partnerships was dropped.

The Transport for London Bill was reintroduced to Parliament in November last year, with plans to give the capital's transport agency more powers on how it can manage its assets to raise more cash.

Although the bill passed its third reading in the House of Commons in April, it only did so after certain clauses were dropped from the bill. Among the amendments was removing the clause on limited liability partnerships, meaning the agency will not have the power to enter into such relationships with the private sector.

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Quotes

"Aspects of the NPD model will need to change"

A source reveals the Welsh government is determined to keep projects off its books

"We are keen to draw on the private sector as much as possible"

Australia's major projects minister, Paul Fletcher, aims to increase private sector investment in transport infrastructure

"Joe Public would think I have gone bloody mad"

Welsh finance minister Edwina Hart explains why she refused to provide a guarantee for the motor racing circuit project

"[The] Green Deal design not only failed to deliver any meaningful benefit, it increased suppliers' costs"

National Audit Office head Amyas Morse is scathing on the previous government's Green Deal

Egis boosts profits

French engineering and consulting firm Egis saw net profit hit €47.4m for 2015, as against €31.7m in 2014. The increase came despite what the firm described as adverse economic conditions in France. The group attributed this increase to its acquisitions, including the 51% acquisition of Middle Eastern construction management firm Projacs. Egis said last year that the Middle East was a key region for the firm.

Shanks reduces Wakefield PFI loss

Waste specialist Shanks' loss on sale of part of its share in the Wakefield waste PFI has been reduced by £5m, the firm has revealed. In its pre-results trading update, the company said movements in swap rates in the weeks prior to completion mean the loss on sale will be £5m better than previously announced. It said it has now received £26m of the £30m in proceeds from the sale.

UNITED KINGDOM

City hall: housing will be a key focus for London's next mayor

New members for UK Construction Council

Balfour Beatty chief executive Leo Quinn, Arup director Isabel Dedring and Ann Bentley, chairman of Rider Levitt Bucknall, have all been appointed to the government's Construction Leadership Council.

Quinn takes over the council's skills work stream from Anna Stewart, who stepped down as Laing O'Rourke boss last year due to ill health. Bentley will take on the supply chain and business model brief at the council, taking up the position from Madani Sow, who left as Bouygues UK chairman in February.

Dedring, who joined Arup in February having left her position as London's deputy mayor for transport, will work on smarter infrastructure through innovation in procurement.

partnershipsbulletin.com/news/view/100361

Lothian Hub bundle signs

A bundle of three health and local authority service centres has reached financial close through Scotland's Hub model.

The £27m deal for the three projects has been signed between Hub South East Scotland and Graham Construction. Debt of £27m on the deal was provided by Nord LB.

Delivered through a single design, build, finance, maintain contract, the programme will see Graham deliver the so-called partnership centres in Firrhill, North West Edinburgh (Muirhouse) and Blackburn in West Lothian.

partnershipsbulletin.com/news/view/99726

Housing tops London mayoral priorities

Increasing the number of affordable homes across London was the main focus for candidates at a major event focused on their views on the future of London's infrastructure.

Five of the main contenders for London mayor were represented at an event hosted by the Institution of Civil Engineers.

All referred to the housing issue, with Valerie Shawcross, the Labour London Assembly member representing Labour's mayoral candidate Sadiq Khan, describing it as a "dramatic affordability crisis". She also referred to using the space above existing Tube and train stations as a way to increase regeneration in the capital.

partnershipsbulletin.com/news/view/99661

Winner for London fire deal

The London Fire and Emergency Planning Authority (LEFPA) has named property regeneration company U+I preferred bidder for the regeneration of 8 Albert Embankment into a new mixed-use community with an end value in excess of £300m.

The announcement comes two years after LEFPA ditched its six-year agreement with Native Land as its development partner after they failed to gain planning approval for its designs.

The London Fire Brigade and U+I will now begin developing plans for the site. Before a planning application is made a public consultation on the plans will take place.

partnershipsbulletin.com/news/view/99453

EUROPE

PPP demand 'returning to growth'

Ratings agency Moody's has published findings suggesting that there has been a return in the growth in demand for PPP schemes in parts of Europe.

In its report looking at trends in the global PPP market, Moody's identified a weaker pipeline in Europe than in North America, but one that is starting to improve.

"Moody's recently publicly rated 10 PPP projects in Canada, seven in Europe and three in the US, which illustrates a return to growth in demand for the asset class," the report said.

The study also suggested that, while some global convergence for financing PPPs has emerged across the world, local considerations continue to define individual projects.

partnershipsbulletin.com/news/view/99891

Winner for Amsterdam Court PPP

Dutch buildings agency Rijksvastgoedbedrijf is to officially award the €235m contract to the NACH (New Amsterdam Courthouse) consortium on 10 May.

The winning team is led by Macquarie Capital (100% equity investor and financial adviser) and the court will be built by Heijmans and Facilicom with a team of Dutch designers ABT, DVP, KAAN Architects and MJ de Nijs & Zonen.

Under a 30-year agreement NACH will design, build, finance, maintain and operate the district courthouse for Amsterdam. Demolition work is expected to commence at the beginning of 2017, with the courthouse to be occupied in November 2020.

The VolkerWessels-led iDO2 consortium was the other team shortlisted in October 2015.

partnershipsbulletin.com/news/view/100348

New Belgian tram plans revealed

Walloon transport minister Carlo Di Antonio has told a regional parliament committee that a new PPP contract for the Liege tram scheme could be awarded in spring 2018.

A prompt procurement process is expected as the route has not changed and the majority of studies completed for the first tender will be reused. The minister said the cost would be close to the previous tender, given the low development rates and bank margins.

Di Antonio explained that Eurostat rules led to the cancellation of the previous tender in March. He also confirmed that the Mobiliège consortium is to be compensated.

Discussions are now ongoing to ensure the project is counted as off the government's balance sheet by statistics agency Eurostat.
partnershipsbulletin.com/news/view/100199

Extension for Italian port PPP project

The port authority of Livorno has extended the expressions of interest deadline for the construction of the Europe Platform project in the Port of Livorno *(pictured)* to 30 June. Previously, the deadline was set for 22 March.

The project, launched in January, involves a 50-year concession to run, develop and manage a new container terminal consisting of more than 1,000mt of quays and covering 72,000sq m.

Under the plans, the terminal will have sufficient capacity to handle up to three trains a day and provide a link to the national and European rail network and to the ScanMed Corridor.
partnershipsbulletin.com/news/view/100202

750,000

Number of premises to get high-speed broadband in Ireland by 2020

Irish broadband teams named

Ireland's Department of Communications, Energy and Natural Resources has received five bids from consortiums led by Irish telecommunications companies, backed by international infrastructure investors.

The five teams include PPP investors such as 3i, John Laing, Infracapital and Macquarie, among others.

The programme sees plans for high-speed broadband services to be provided to over 750,000 premises across the country by 2020.
partnershipsbulletin.com/news/view/100072

New projects law firm for Germany

Hamburg-based Chatham Partners is being launched in May and will "do a lot of PPP work", according to a spokesperson for the firm.

Targeting international infrastructure and energy projects, the firm is bullish on the European market, in particular with regard to road PPPs where "we have advised a lot in the past and have long standing client relationships to key market players".

One of the firm's founding partners is Michael Schaefer, who was previously a PPP expert in Freshfields Bruckhaus Deringer's environment, planning and regulatory practice in Hamburg. Schaefer led the expert consortium which developed a legal framework and standard terms for PPP investments in Germany on behalf of the German government.
partnershipsbulletin.com/news/view/100302

ASIA

Support grows for Brisbane rail PPP

Federal and state politicians in Australia have backed private sector involvement in Queensland's Cross River Rail project.

Prime Minister Malcolm Turnbull, Minister for Major Projects Paul Fletcher, Leader of the Federal Opposition Bill Shorten and state Shadow Minister for Transport Scott Emerson have all publicly backed private sector involvement in the Cross River Rail since a delivery authority for the multi-billion dollar project was launched by the Queensland government last week.

The state government announced plans to establish the Cross River Rail Delivery Authority to deliver the project that it considers to be the number one infrastructure priority for Queensland and unveiled the new 10.2km alignment.

It will lead the development, procurement and delivery of Cross River Rail and support wider economic and social outcomes for the project. The new delivery authority will seek federal, state and local government co-investment and private sector participation for funding, financing and delivery partners.
partnershipsbulletin.com/news/view/100222

10.2km

Queensland's Cross River Rail project

Auckland planning rail projects

Auckland is procuring the services of financial and legal advisers for two major rail projects.

Bids were due in April for legal services for the City Rail Link project, with agency Auckland Transport (AT) to choose a firm in May. Procurement of the City Rail Link Main Works is scheduled to commence in 2016, with AT developing its procurement strategy.

AT also sought in May a financial and commercial adviser to support its planned light rail transit scheme. Auckland has been considering a PPP for the project for some time, with Labour MP and mayoral candidate Phil Goff backing the use of PPP in the scheme in March.
partnershipsbulletin.com/news/view/98668

ASIA

Aussie govt pledges greater private finance

Paul Fletcher, minister for major projects, territories and local government, has said the Australian government will make greater use of the private sector in the delivery of transport infrastructure.

He said that much of the country's road and rail network is entirely publicly owned, whereas the telecommunications, electricity, gas and water sectors have been "steadily transferring into private ownership over the last 30 years".

He continued: "When it comes to major transport infrastructure projects we are keen to draw on the private sector as much as possible – and use sensible procurement processes to get the best possible deal for taxpayers."

Fletcher also said that, where the Commonwealth government provides funds for a major infrastructure project, "it will reserve the right to impose conditions, including Commonwealth approval being required for key decisions in relation to the project".
partnershipsbulletin.com/news/view/99808

Phil rail PPP delayed

The Philippines has delayed its deadline for bids for the North-South Railway Project (NSRP) South Line PPP.

The Department of Transportation and Communications has decided to modify the scheme's specifications and has therefore decided to indefinitely postpone the deadline for bid submissions, which had previously been scheduled for 15 April.

In February, five teams had purchased pre-qualification documents for the project to design, construct, install, commission, finance, operate, and maintain the existing commuter line from Tutuban, Manila to Calamba City, Laguna.

A series of deals have been postponed for a number of reasons in the Philippines in recent months, as the government strives to get schemes through ahead of President Benigno Aquino leaving office later this year.
partnershipsbulletin.com/news/view/100197

Sri Lanka issues port project brief

The Sri Lanka Port Authority (SLPA) has issued a teaser document providing more information on its plans for the Colombo Port *(pictured)* – East Container Terminal project.

To be delivered under a design, build, finance, operate and maintain contract, the authority has published the project brief setting out the plans to expand the terminal. It sets out an overview of the project, as well as the investment opportunity for the private partner.

A 440m berthing facility has already been developed at the site by the SLPA, but it is now seeking a private partner to provide a competitive port facility to Sri Lanka with deep water berth (18.0 – 20.0m) and add capacity of 2.4 million twenty-foot equivalent units (TEUs).
partnershipsbulletin.com/news/view/99820

MUFG completes Philippines entry

Philippines Security Bank and the Bank of Tokyo-Mitsubishi UFJ (BTMU) have completed a strategic partnership deal.

Security Bank is now an equity affiliate of BTMU and the Japanese bank is now the second largest shareholder of Security Bank.

BTMU Asia and Oceania chief executive Go Watanabe said: "We have started exploring various areas for collaboration including work-site business and PPP projects."

This was echoed by Security Bank president and CEO Alfonso Salcedo, who said that the organisation expects to participate "more actively" in PPP and infrastructure projects.
partnershipsbulletin.com/news/view/99461

MIDDLE-EAST & AFRICA

Gautrain extension plans progress

Plans to construct a major extension of the Gautrain rail network in South Africa *(above)* are to progress in the coming months.

An adviser close to Africa's largest PPP project has told *Partnerships Bulletin* that a feasibility study to construct a potential additional 140km of new track (the current network is 70km) should be completed by June.

The extension will probably be a series of PPPs to accommodate the phased rollout of the new network in Gauteng, the source added.

In addition to the extension of the network, plans are underway to expand the current network that has been operated by the Bombela Concession Company under a PPP contract with the GMA since 2012.
partnershipsbulletin.com/news/view/99809

Ghana prepares new PPP framework

Ghana's ministry of finance has tendered for an adviser to help develop guidelines for its new PPP framework.

The new PPP law is expected to be enacted by the end of June and the ministry now wants assistance in strengthening the framework that will be used for future projects. It says the framework should "develop and manage PPPs in a transparent as well as fiscally and economically sound manner".

The consultancy is required to help with developing guidelines for pre-feasibility analysis, full feasibility analysis, procurement process, PPP project evaluation procedure and PPP unit communication manuals and guidelines.
partnershipsbulletin.com/news/view/99289

EoI for Kenya water project

Kenya's Athi Water Services Board has sought consultancy services for the construction of five dams to be delivered under a PPP scheme.

Under the plans, the winning firm will carry out feasibility studies to finance, design, build, operate and maintain four dams in Maragua and one in Ndarugu. It will also involve downstream works including water treatment plants, raw and treated water transmissions mains, storage facilities and treated water distribution systems.

The World Bank is financing Kenya's government towards the cost of the Kenya water and sanitation service improvement project, which covers part of this PPP.
partnershipsbulletin.com/news/view/100522

Zambia road PPP 'close'

A conclusion to the Lusaka-Ndola road PPP procurement in Zambia is moving closer, according to a government official.

State House Permanent Secretary Emmanuel Chilubanama has said the procurement is at an advanced stage, with work on the site expected to start soon.

Chilubanama is also head of the country's PPP unit and said negotiations on the road continue. He was speaking at the opening of a PPP training workshop in Lusaka, which is being run in partnership with the British High Commission.
partnershipsbulletin.com/news/view/99805

PEOPLE NEWS

Dr Paul Golby

Engineering firm Costain has announced that **Dr Paul Golby** will be its next chairman. Golby will succeed David Allvey at the firm's annual general meeting on 5 May. Golby is chairman of NATS Holdings and a non-executive director of National Grid. He was formerly chairman of AEA Technology Group, and also spent nine years as chief executive of E.ON UK (formerly PowerGen).

The Homes and Communities Agency (HCA) has appointed **Mark Hodgkinson** interim chief executive following Andrew Rose's departure. An experienced interim chief executive, Hodgkinson will take on the role while the HCA undertakes the recruitment of a permanent chief executive "in the coming months". Hodgkinson has a strong commercial and financial background, having previously worked for the likes of Asda, Wyevale Garden Centres, Four Seasons and Virgin Money. It was revealed in January that Rose was leaving the HCA to become the inaugural chief executive of the Global Infrastructure Investor Association.

Michael Hand, chief executive of the Grangegorman Development Agency (GDA), is to become a director at JB Barry & Partners from 1 July, where he will oversee the delivery of various water services infrastructure projects throughout Ireland. He will continue with the GDA until the end of May. Chairperson of the GDA Oliver Cussen said: "We have already begun the process of finding a new CEO." The GDA is currently procuring the East and Central Quad PPP and the Single Framework Student Residential Accommodation Agreement.

The managing director of infrastructure and structured finance at Aviva Investors, **David Dahan**, has left the firm following a restructure of its global investment arm. **Barry Fowler**, who joined Aviva Investors in 2014 from Lloyds Banking Group, has been promoted to managing director of alternative income solutions covering corporate debt, infrastructure, real estate finance and structured finance. All the heads of the alternative income teams will now report to Fowler.

CAPITAL INVESTMENT

As the race to become the next mayor of London hots up, infrastructure will be an important priority – but how will it be funded?

"Successive governments have failed to invest in infrastructure. Fundamentally, the cash has not flowed."

A rather brutal assessment of the state of infrastructure investment was delivered by Claire Perry, a junior transport minister, as she stood on the platform in place of Conservative candidate for London mayor, Zac Goldsmith.

Representing Goldsmith at the Institution of Civil Engineers' London Infrastructure Debate, Perry suggested whoever the next mayor is will need to focus on improving the capital's infrastructure and working with government to find the funding for new investments.

The debate brought together representatives from the five main parties contesting the mayoral election in May: Conservatives, Labour, Liberal Democrats, Green and UKIP. It was clear from the speakers that infrastructure investment – and the development of housing in particular – is now an urgent priority for the capital city.

Sian Berry, of the Greens, and the Liberal Democrats' Caroline Pidgeon both made the need for new housing the focal point of their opening addresses. Valerie Shawcross, representing Labour's Sadiq Khan, added that London's housing sector is facing a "dramatic affordability crisis", adding that housing would be Khan's "first priority".

With the exception of UKIP's Peter Whittle – who warned against the idea of continually building new homes to meet the growing number of people in the city – all candidates were keen to suggest that they would be willing to increase housing development in the capital.

Pidgeon, for example, is in favour of ensuring that one in four new homes is "genuinely affordable social housing", stressing the idea of "council housing" rather than allowing private developers to deliver projects. She also supports the idea of establishing a building company that could drive these projects.

Away from housing, the candidates were also keen to point out the benefits of increased investment in transport infrastructure. All appeared in favour of Crossrail, with only Whittle adding the qualification that he would require all constituencies affected by the route to hold a referendum on it before it could go ahead.

There was also broad support for the Silvertown Tunnel, which is being delivered as a PPP project by Transport for London (TfL). Berry, though, suggested that the current approach to river crossings in London as a whole needs reviewing. "I would review the Silvertown tunnel, and specifically look at how you get people across the river," she said, suggesting alternative methods focused more on public transport than cars would be more appropriate.

However, the elephant in the room remains funding. Shawcross offered some insight into what a Khan mayoralty would do to unlock new cash. "We need to be exploiting land capacity at Transport for London and other public sector owners," she said. "The air space above Tube stations, for example."

This sort of value capture approach was of course pioneered by TfL when looking at the first Crossrail project, and is something that the organisation is keen to exploit even further when it begins working on Crossrail 2 later this decade.

In March, the National Infrastructure Commission backed the idea of accessing private finance to deliver some of the stations for Crossrail 2, and given that all candidates appear sold on the project, such recommendations may well be taken up when the time comes.

Pidgeon also addressed the funding issue to some extent, suggesting that more devolution would be a major help. "I would look at things like a London bond," she added. "There is no point having a long wishlist if you haven't found how to fund it."

Shawcross agreed that greater devolution to the mayor would help. "Devolution would give the mayor more control over time scheduling," she explained. "We could save 10% of procurement costs if we had some sensible devolved control."

She said that London had received large amounts of money, from works around HS2 to the first Crossrail programme and the expected second Crossrail scheme. She suggested it would be too much to expect the government to keep on targeting investment into London, especially at a time when Chancellor George Osborne is looking to build up his Northern Powerhouse initiative. As a result, more devolution would be important for sustaining investment in London.

But sources suggest that the reality of the economic situation will force the government's hand. Perry talked of the need for a mayor who is able to work with central government, and the likelihood is that private finance will need to be brought in for any large project being considered by London – which could also require central support.

"Officials at the Department for Transport are saying that budgets are now being squeezed so tightly that private finance is almost inevitable," says one adviser. "But they're also saying that it remains politically difficult."

Whether any future London mayor can find a way through this issue will be an important indicator for the rest of the country.

PAVED WITH GOLD

Enthusiasm for private finance in transport projects shows no sign of abating in Australia

Australia's major projects minister Paul Fletcher gave a keynote speech in April, in which he flagged the federal government's willingness to look at private finance for the country's roads sector.

Fletcher drew a particular distinction between the transport network, which he pointed out is largely publicly owned, and the telecommunications, electricity, gas and water sectors, which he said had been "steadily transferring into private ownership over the last 30 years".

The minister for major projects, territories and local government seemed to be suggesting that he is keen to explore the potential for Australia's transport infrastructure to be passed over to the private sector.

However, the likelihood of the sector being transferred wholesale to the private market and then regulated, in the way that water or energy services have been in the past, seems somewhat remote. To begin with, there is little political appetite today to take this route in transport.

And Fletcher himself stopped short of suggesting a privatisation of the road and rail network, instead advocating the use of "sensible procurement processes to get the best possible deal for taxpayers".

He continued: "When it comes to major transport infrastructure projects we are keen to draw on the private sector as much as possible."

This, then, perhaps sets the ground for what came just a week later, with Fletcher among a series of high profile politicians to back private sector involvement in Queensland's Cross River Rail project. He was joined by prime minister Malcolm Turnbull and opposition leader Bill Shorten in welcoming plans for the recently established Cross River Rail Delivery Authority to leverage private investment into what is anticipated to be a multi-billion-dollar programme.

These two developments will be welcomed by the PPP industry in Australia as signs that the public sector remains committed to the model and engaging the private sector to fund its plans.

At state level, the news in March that the Victoria government has nearly doubled its order of high-capacity trains to be delivered through the PPP model was also another important vote of confidence for the market.

Australia of course has a long and successful history with the PPP model, but in recent months the whole programme had been facing a certain degree of upheaval, particularly in the wake of the cancellation of Victoria's East West Link PPP deal. In December, the Victorian auditor-general was scathing about the then state government's decision to sign the deal.

And in January, the federal opposition called for the Australian National Audit Office (ANAO) to audit the government's entire infrastructure programme, following the ANAO's criticism of the handling of the East West link deal.

Despite this, though, it appears that the PPP concept has come out largely unscathed. It seems that ministers – and even opposition politicians – remain convinced that private sector investment can offer real benefits to the country's transport network.

However, for all the optimism, there are some issues that will need to be resolved. Memories of the failure of a series of toll roads due to over-optimistic traffic forecasts – including the Clem 7 and Lane Cove Tunnel projects – are still fresh.

As a result, Australia is now unlikely to deliver new projects on the basis of promised toll revenues, but instead deals are likely to be done on an availability based model. Explaining this to a potentially sceptical public will be an important part of the process for the Australian government in its plans for greater private involvement in the transport sector.

But while the federal government may be on-board with the PPP concept, that is not necessarily the case across the country. "The problem we have in Australia is the lack of consistency between how each state and territory government approaches PPPs and privatisation," explains John Poulsen, managing partner for Australia at law firm Squire Patton Boggs.

"For example, in Western Australia there has been relatively few successful PPPs in the infrastructure space generally and none in respect to transport. This contrasts with the position in Victoria and New South Wales where there are toll roads and PPPs in respect to rail infrastructure.

"The public appetite for toll roads varies across the country in a similar way."

In recent years, there has been much talk of asset sales as a way to raise cash for new infrastructure projects, but while New South Wales has done a lot of work in the electricity field here, other states have been slow to follow.

"In Western Australia a similar proposal has not yet got off the ground due to political issues and the upcoming state election," says Poulsen.

Similarly, efforts to sell Fremantle Port are "mired in controversy", as Poulsen puts it. Junior coalition party the WA Nationals has refused to back the plans, leaving the Western Australia government's initiative with an uncertain future.

These offer a foretaste of the political difficulties that any efforts to bring greater private sector involvement into the transport sector might entail in Australia. PB

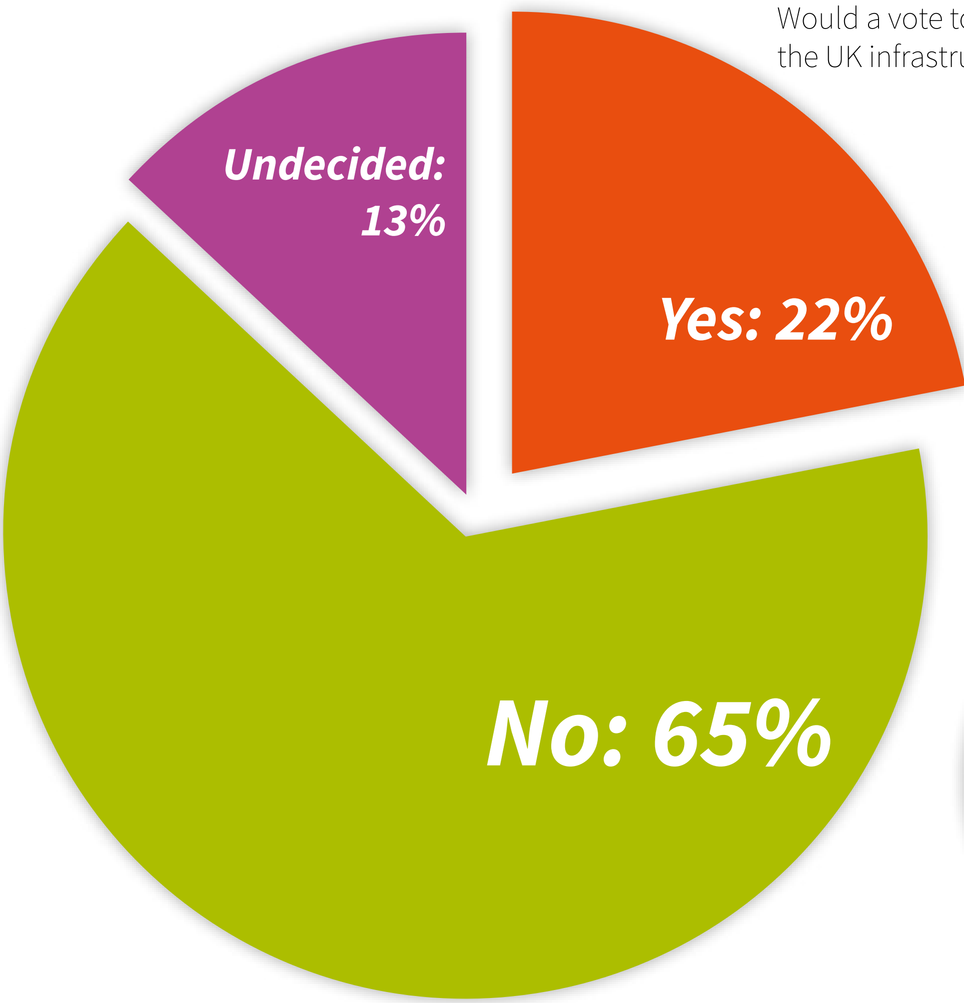
WOULD A VOTE TO LEAVE THE EU BE GOOD FOR THE UK INFRASTRUCTURE MARKET?

On Thursday 23 June, the UK will go to the polls to decide whether to leave the European Union.

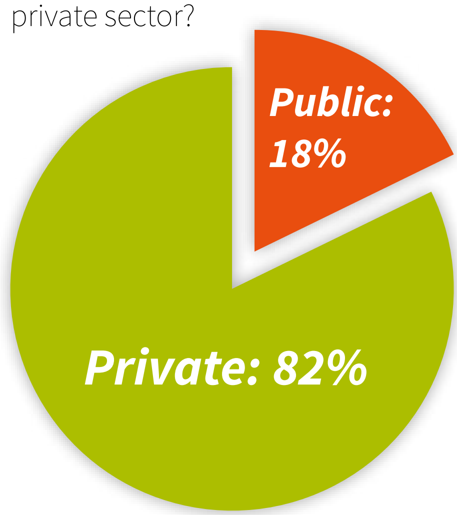
The most important referendum for the country's relationship with the continent since voters backed its membership in the European Economic Community in 1975, the result is likely to have widespread ramifications for the infrastructure market.

In April, *Partnerships Bulletin* carried out its own poll of the market, to gauge industry appetite for leaving the common market. The results can be seen here, and although it is clear that the majority of the market is keen for the UK to remain part of the EU, there were strong feelings on both sides of the debate.

Would a vote to leave the EU be good for the UK infrastructure market?



Do you work for the public or private sector?



Yes, leaving the EU would be good for UK infrastructure

Perhaps unsurprisingly, one of the chief reasons given by those who believe the UK would be better outside the EU is in relation to bureaucracy and in particular the current difficulties with the ESA10 accounting rules, which have brought Scotland's non-profit distributing (NPD) model to a grinding halt in recent months.

"Not having to comply with things such as ESA10 would help social infrastructure models particularly," said one respondent in favour of Brexit. "The removal of the EU procurement rules so that local companies and products could be preferred and the relaxation of state aid rules would also remove some of the funding/regulatory barriers to successful implementation."

Another agreed that the EU creates "far too much regulatory red tape" when it comes to public infrastructure procurement – which they said contributed to high legal costs as procurers and bidders are forced to navigate EU law.

However, others have long disagreed that this is the cause of the procurement issues, with some arguing that methods such as competitive dialogue are treated far more lightly in other European countries, and rather it is the UK's interpretation of the rules that has caused such headaches.

Respondents in the 'yes' camp also argued that leaving the EU would free up capital to invest in infrastructure. One painted a particularly gloomy picture of remaining in the union. "If we assume that the euro has to implode at some point soon, the cost impact will spread to all EU members," the respondent began.

"We have no need to pick up the tab for the EU's failed political and financial experiments. We can invest this money in our infrastructure rather than bailing out French and German (pension) investment houses."

Others were less convinced by that scenario, but remained uncertain over what benefits the EU could offer. "Is the UK supporting or being supported through the EU?" asked one. "Some views are essentially one country is holding up the bulk of the EU, how can this sustain? When those being supported outweigh the supporting, it becomes a very difficult path."

While many pro-EU campaigners have deployed what some have called "Project Fear", arguing that leaving the EU would be a leap into the unknown and cause significant uncertainty, not all agree.

"I do not believe that EU countries will stop trading with us overnight, nor any increase in security risk happen – as this would be hugely irresponsible of the parties concerned," said one in the Brexit camp.

No, leaving the EU would not be good for UK infrastructure

The issue of uncertainty appeared to be the dominant theme among those inclined to see the UK remain a part of Europe.

"The uncertainty of an exit would blight investment from non-UK banks and institutions for years," warned one.

"I think the level of uncertainty would be crippling, particularly so as we are still hardly beginning to implement the long promised UK infrastructure pipeline," added another.

And one supporter of remaining in the EU argued that it would be a "disaster for inward investment" because the UK would become unattractive to investors due to "a great deal of legal and commercial uncertainty".

There was also an argument that any exit would result in financial instability – which would itself divert investment from infrastructure as the Treasury sought to shore up the economy.

Others seemed convinced of one certainty: a vote to leave would result in less trade and less external investment in infrastructure.

"In the longer term there is a risk that larger scale investors focus on the wider EU market," argued one.

"Today's investors are increasingly flexible and liquid, so any risk that cannot be apprised will be seen as a negative and drive capital elsewhere," said another respondent. "Investors are reluctant to participate in fundraisings where the target portfolio jurisdiction is the UK."

And it is not just funders that people fear would be put off coming to the UK. "It would certainly reduce UK opportunities in Europe, and would negatively impact cooperation with international contractors," suggested one respondent.

And although some see leaving Europe as a way to strengthen British interests, others were convinced that doing so would weaken both the UK and the EU. "The EU is stronger with UK as a member," said one. "A weak EU would be bad for the UK. Therefore Brexit would be bad for UK."

"The EU also offers free access to 500 million people and both consumers and potential workforce for many UK industries," argued another respondent.

Rather than spending time and money working out what an 'independent' UK might look like, a number of those supporting a Remain vote said they would prefer to see the country putting its energies into improving the EU.

> **"So many emotive and political issues come into play beyond infrastructure"**

Conclusions

The results of the survey demonstrate that there is a clear majority in favour of the UK remaining in the EU – however, in many cases the reasons for this appear more to do with the hassle and disruption that leaving might cause rather than any inherent benefits for the infrastructure industry in remaining in the union.

"From an infrastructure perspective, if you were to start from a blank sheet of paper, I'm not sure it would have such a significant impact either way once alternative trade agreements and regulation are in place," says Nick Prior, head of Deloitte's global infrastructure and capital projects team. "We already operate effectively at a global level beyond EU borders."

While his company has not set out a view one way or another, Prior says that in his view the main reason for staying in the EU from an infrastructure perspective comes down to the uncertainty and transition costs associated with leaving the EU. "Any potential benefits of leaving would be outweighed by the uncertainty and costs of a transition as it would unfold – a process that would take years not months," he explains.

As a result, Prior is surprised that over a fifth of respondents believe leaving would be good for the market.

However, this may come down to the fact that it is almost impossible to disentangle views on infrastructure from the wider issues and questions surrounding Brexit. "So many emotive and political issues come into play beyond infrastructure," says Prior, pointing in particular to the highly political – and politicised – nature of the EU.

"People often frame the argument to suit their broader aspirations," he suggests.

NATALIE ELPHICKE
CHIEF EXECUTIVE – HOUSING & FINANCE INSTITUTE
CLAIRE COUTINHO
PROGRAMME DIRECTOR – HOUSING & FINANCE INSTITUTE

GETTING STARTED

Since our launch in September 2015, the Housing & Finance Institute (HFI) has been working to support a step-change in housebuilding. We have worked with councils and housing businesses to support their ambitions for greater and better housing delivery.

The HFI has held Housing Business Ready programmes with councils who have demonstrated excellent ambition to deliver the homes that their communities need. An important role has been facilitating understanding and opportunity between the private and public sectors and recommending practical steps to help to get more done.

We have been helped in our work through an original collaboration with the South East Local Enterprise Partnership, which has actively supported and sponsored specific Housing Business Ready programmes across its area.

We are keen to meet with more councils and housing businesses and are actively exploring further collaborations.

What we have seen is an appetite to work together to do more. At our HFI Celebrate event in February, we brought together 100 senior business leaders and council representatives to showcase achievements in housebuilding, housing delivery and finance. A keynote speech by the housing and planning minister, Brandon Lewis, celebrated the great work being done across the housing sectors. This is reflected in recent housebuilding figures which show greater delivery achieved across all sectors – by councils, housing associations and private enterprise.

Alongside this, we have been researching and developing ways in which we can unlock greater capacity to accelerate housebuilding across the country. The latest HFI report, *How to Build More Homes, Faster* was released in March. In it we set out practical options to increase delivery rates, including Major Infrastructure Dependencies Mapping to support the planned delivery of homes as well as actions to secure faster build out rates.

The HFI *Boosting the Boroughs* report, which was published in February, explored how to enable more housebuilding in London through a stronger role for boroughs to work with others in their role as housing delivery enablers.

Regular Business Forum breakfast events have brought together partners across various sectors to celebrate housing achievements and create fresh opportunities for business connections. At the HFI we continue to support partnership and collaborative working, which is key to successful and faster housing delivery to build the homes we need. PB

IAN MACFARLANE
DIRECTOR – JC RATHBONE ASSOCIATES

FINANCE WATCH

The financial markets are still in turmoil and have been for so long that most people have overlooked the ridiculous and continued low level of [term] interest rates at present. As an example, GBP, EUR and USD 10-year swap rates, since the end of last year to date, are circa 0.60% lower in all cases.

This position is unlikely to reverse in the near future and the timing for an increase in GBP LIBOR is now clearly very different from the expectation last December. Then the UK had estimated a rate rise in the fourth quarter of this year and with the US raising rates, the UK was not expected to be far behind. However, we witnessed renewed economic gloom early in the New Year. The prediction for a UK rate rise is now into next year and beyond.

The US is now looking at only one or two 0.25% rate increases this year, being more in line with expectations.

In the eurozone, we have a rather different position, with the European Central Bank cutting its official rate to zero and expanding quantitative easing. Actual euro rates are still significantly negative (Three-month EURIBOR is -0.25%) and predictions are that the Bank will keep rates as they are for at least another year. There is an argument that the eurozone can now only improve, let's hope so!

So a relatively gloomy global economic position (despite a good performance from equities), especially when you include the influence of China's economic woes and the ongoing global commodity crisis, with oil prices taking another dive recently.

Recently we have commented on the changing fortunes of the Hinkley Point power station project. In recent months its position has looked doubtful with the poor performance of EDF. However, the French government has pledged to bail out EDF, giving assurances to the UK that the project was back on track.

We now see that the French government is "completely committed" to deliver this project, according to French economy minister, Emmanuel Macron, who rather brazenly suggested that something should be signed with UK officials in April! We are not aware that a funding structure has yet been agreed by EDF so we are curious to see what exactly might be signed and how encouraging it may be. Fingers crossed. PB

Interest	GBP / Swaps	
Period	19 April-16	19 Jan-16
3 Month LIBOR	0.58781%	0.58938%
3 Years	0.9040%	1.0480%
5 Years	1.0620%	1.3150%
10 Years	1.4780%	1.7630%
20 Years	1.7450%	2.0520%
30 Years	1.7220%	2.0380%
	GBP / Base Rate	
Lending Rates	0.5000%	0.5000%
	FX - EUR/GBP	
Currencies	0.79210	0.76080

ANDREW BUISSON
PARTNER – NORTON ROSE FULBRIGHT

LEGACY ISSUES

What impact will Ghana's new PPP bill have on existing projects?

Ghana has had a National Policy on PPPs in place since 2011, and a draft PPP bill is currently making its way through Parliament.

Recent indications from the Public Investment Division of the Ministry of Finance had indicated that the bill was expected to be passed before end of the second quarter of 2016, but this looks less likely now. The Ghanaian government has also laid out an ambitious pipeline of priority infrastructure projects in the rail, road, ports and accommodation sectors which will be taken forward under this new regime.

One specific issue which may need to be looked at closely by the market is Section 133, dealing with transitional provisions. In some countries, problems have arisen where the government enacts a PPP bill but does not fully take into account the mandatory effect of the legislation on projects that have been let before the Act came into force.

A good example of this issue is Nigeria's Infrastructure Concessions Regulatory Commission (ICRC) Act, which mandated that government approval for infrastructure projects should not be given unless they have been properly advertised. While the intent of this is clear, the Act did not describe what should happen to projects where the private sector party has already been selected before it came into force, and this required an ad hoc solution of asking the ICRC to confirm that this part of the Act did not apply to the project in question.

Unlike the ICRC Act, Ghana's PPP bill does have transitional provisions which address the status of projects already initiated or signed before the bill comes into force, but these provisions raise other serious questions.

According to the current draft, all PPP agreements entered into between 3 June 2011 and the date the new Act comes into force are to be subject to a retrospective approval process.

Firstly, there is an assessment as to whether the PPP agreement has been entered into in accordance with the National Policy on PPPs. If it has, then the agreement will remain in force. If it has not, then it will only remain in force if it is subsequently "regularised by a PPP Approval Committee", which is formally established by the Act. A number of existing projects have been established following unsolicited private sector proposals, so one can expect that these will fall in the latter category.

It is not clear what the process of "regularisation" will involve. One assumes that it will not be a pure rubber-stamping process (as it would otherwise be meaningless), and therefore might involve the PPP Approval Committee requiring certain amendments to the existing PPP agreement, or it may even involve the committee declining outright to grant an approval, or requiring the project to be resubmitted for open procurement.

This raises the question as to what status would be given to those contracts which are then declined, or where the amendments proposed cannot commercially be accommodated. The parties could of course seek to agree terms in the PPP agreement that would cater for this eventuality, but it is also not clear whether any compensation terms would actually be enforceable.

Based on the wording of section 133(5), it seems more likely that those compensation terms would become as unenforceable as the remainder of the PPP agreement.

A similar issue arose at the start of the PFI programme in the UK about 20 years ago, where there was uncertainty over the validity of PPP agreements entered into by various public authorities. The concern was that a long-term PPP agreement could be seen as equivalent to a mortgage of the public authority's assets, which would have been prohibited by their internal statutes, and therefore the PPP agreement in question would be ultra vires and unenforceable.

This issue held up financing of projects, because lenders could not be certain that the public authority would be permitted to honour its obligations. The UK government eventually solved this by implementing a short piece of legislation that provided that even if the PPP agreements themselves were found to be generally ineffective for lack of authority, the specific provisions that sought to regulate the commercial consequences of this invalidity would nevertheless be upheld by virtue of the Act. This allowed lenders to proceed to finance the projects and allowed the UK pipeline of PPP projects to subsequently blossom.

So there may be an analogous issue here, which needs a similar solution. There are a number of existing concession projects in Ghana which have reached the point of signature during this transitional period, but where the financing is still being arranged.

If prospective investors and lenders are unable to obtain absolute clarity as to whether their existing concession agreements will ultimately be upheld by the PPP Approval Committee, it may delay financing of these projects until such date as the Act has come into force and "regularisation" of the PPP agreement has actually taken place – in other words, a potential delay of up to 12 months while these processes are concluded.

As the bill has not yet been passed, there may be time to fix this issue and to allow these projects to proceed smoothly. Representations have been made on this basis, so prospective investors and lenders should watch this space.

KIERON DWYER
PARTNER – MAYER BROWN INTERNATIONAL

IN THE CLUB

Is the British Infrastructure Club another step on the road for non-bank funding?

The UK has suffered from a shortage of available capital for the provision of new infrastructure since long before the credit crisis.

In recent times, and in part as a result of changes implemented in response to the crisis, this shortfall has become more acute as regulatory changes such as increased capital requirements for longer term loans have made access to traditional sources of long-term project finance from banks and commercial lenders less available and in some cases, noticeably more expensive.

The Greater London Authority has estimated the funding gap to be in the region of £4.6bn per annum for London alone. This funding shortfall comes against the background of the creation of the National Infrastructure Commission, headed by Lord Adonis, and George Osborne's recent commitment to work on two new rail lines: Crossrail 2 in London and a commitment to the 'Northern Powerhouse' through a high-speed link between Manchester and Leeds.

In the face of this shortfall, funding from sources other than banks, such as pension funds, mutual funds and insurance companies, have long been touted as a potential source to fill the gap. The potential for these sources of non-bank funding was documented in an OECD report which estimated the total amount of global infrastructure funding required from 2010 to 2030 at \$50trn, while also reporting the total sums held by sources of non-bank funds to be in excess of \$65trn.

In recent years, we have seen the funding market for infrastructure in the UK follow what some would regard as more developed funding markets in Canada, the US and Australia in utilising higher volumes of non-bank funding for key projects, in particular in the infrastructure and renewable energy sectors.

The recent press coverage of the establishment of the British Infrastructure Club, an entity endorsed by the UK government (but controlled by its members) could herald a significant step towards further unlocking this growing market for non-bank funding. It seems that the British Infrastructure Club is modelled, to some extent, on similar organisations in the US and Canada and its establishment is a clear attempt to further unlock funds for UK infrastructure from local government and public sector pension funds in particular.

The fund will target a range of infrastructure from interconnectors to hydropower and in the event that the club can mirror the success of similar organisations in North America, the future for non-bank lending from pension funds looks to have received something of a boost.

In the face of dwindling returns in other more traditional areas of investment, a number of UK pension funds are currently seeking more diverse, and potentially remunerative, investment opportunities. Although infrastructure projects can provide this diversification and level of return (often with attractive RPI linked returns), appraising and structuring infrastructure investments requires highly specialised skill sets which rarely reside with trustees and asset managers in traditional (and in particular smaller) pension funds.

Currently, it is not clear whether the British Infrastructure Club will be a vehicle designed to enable direct participation in funding transactions by pension funds or a fund in the truer sense of the word, however one would assume that it will be a valuable source of advice for aspiring pension funds and will potentially offer an attractive route to market with economies of scale for pension funds wishing to participate in infrastructure funding.

To date, many pension funds have seen potential returns eroded by the substantial costs associated with investing in a new asset class. However, the new infrastructure vehicle is hoping to provide savings of at least £1.875bn in management costs over 15 years based on a portfolio size of £10bn, according to sources familiar with a presentation it has made to prospective members.

A pension fund wishing to become involved in funding infrastructure transactions should be aware however that while in the UK lending activity on a wholesale basis is generally not regulated, there are some activities for which they may need to be authorised under the Financial Services and Markets Act 2000.

In addition, the trustees of pension funds are usually subject to statutory investment restrictions in relation to funds held in occupational pension schemes (for example trustees and asset managers of pension funds are generally required to exercise their discretion to invest in the best interests of the scheme, the members and beneficiaries).

Further, many potential participants must also comply with internal rules on investment, for example it is relatively common for funds to have an "investment grade" threshold on investment into a given project or rules requiring participation to be structured by way of a subscription for securities rather than by way of a loan.

However, taking all of this into account, it is likely that those pension funds with the aspiration and legal ability to invest in infrastructure projects will be watching the development of the British Infrastructure Club with interest.

GARY WATKINS
CEO, SERVICE WORKS GROUP

PROVING THE POINT

If policymakers are to remain committed to PPPs, they need to be able to see that good outcomes are being secured on existing schemes

With appetite for commissioning new projects in the UK currently on the wane, the focus of policymakers' attention is rightly shifting from 'doing deals' to maintaining and enhancing the value generated by existing contracts. The UK, which has the world's largest portfolio of private finance transactions in operation, is the supreme example of this trend.

Yet, as new infrastructure needs emerge, there will be pressure on the government to once again strengthen its pipeline. The required investment is unlikely to be forthcoming by public capital alone – as, indeed, the chancellor's recent Budget statement made abundantly clear.

At the same time, other countries continue to show high demand for PPPs. In contrast to many other jurisdictions, the Canadian P3 programme has seen growth in recent years, including in the teeth of the financial crisis. While nine P3s entered the procurement phase in 2009, this increased to 20 in 2013.

In part this was testament to the diverse project finance market in Canada, and especially the important role of institutional investors within it. And yet it was also due to the broad public acceptance of the PPP concept among the general public in Canada, testament to the commitment of both national and provincial/territory governments to provide transparent access to information about the costs – and crucially, the benefits – of the PPP approach.

If policymakers across jurisdictions are to remain committed to PPPs in the long-term, they need to be able to see, and to verify, that good value for money outcomes are being secured on the existing schemes. So it is important to ask: to what extent is this happening now, and how might this be improved?

As experience with PPP has accumulated, the specific advantages of the model in terms of improving the delivery of infrastructure projects have become clearer. Research in the UK, for example, has consistently shown that the risk transfer features of the PPP model have generated superior performance in terms of on-time and on-cost delivery.

> **"The specific advantages of PPP have become clearer"**

Similar findings have been reported in both Australia and Canada, even though traditional public sector delivery is stronger in these jurisdictions.

The evidence is less clear, however, on the benefits of the PPP model in the post-construction phase, which normally accounts for approximately 90% of the contract period. For risk transfer processes to work in the way intended, there needs to be a clear relationship between contractor performance and the scale of deductions to the unitary charge. This may not always occur – and some jurisdictions are better than others in achieving this.

Within the public sector, there is frequently a lack of contract management capacity and capability. It is essential that managers can obtain information about the provider's performance and the deductions it has accrued can be reviewed and evaluated systematically – and that the integrity of the data is strongly evident.

In some cases, original contracts were poorly drafted, and failed to adequately anticipate the likelihood and nature of change – a major error in fast-moving areas of public service such as healthcare. Public managers are often unsure of how to access the information they need to make necessary changes.

Indeed, many of the problems in the operational phase originate in the lack of information. Decision-makers are increasingly aware that the best solutions are those that address this particular challenge head on.

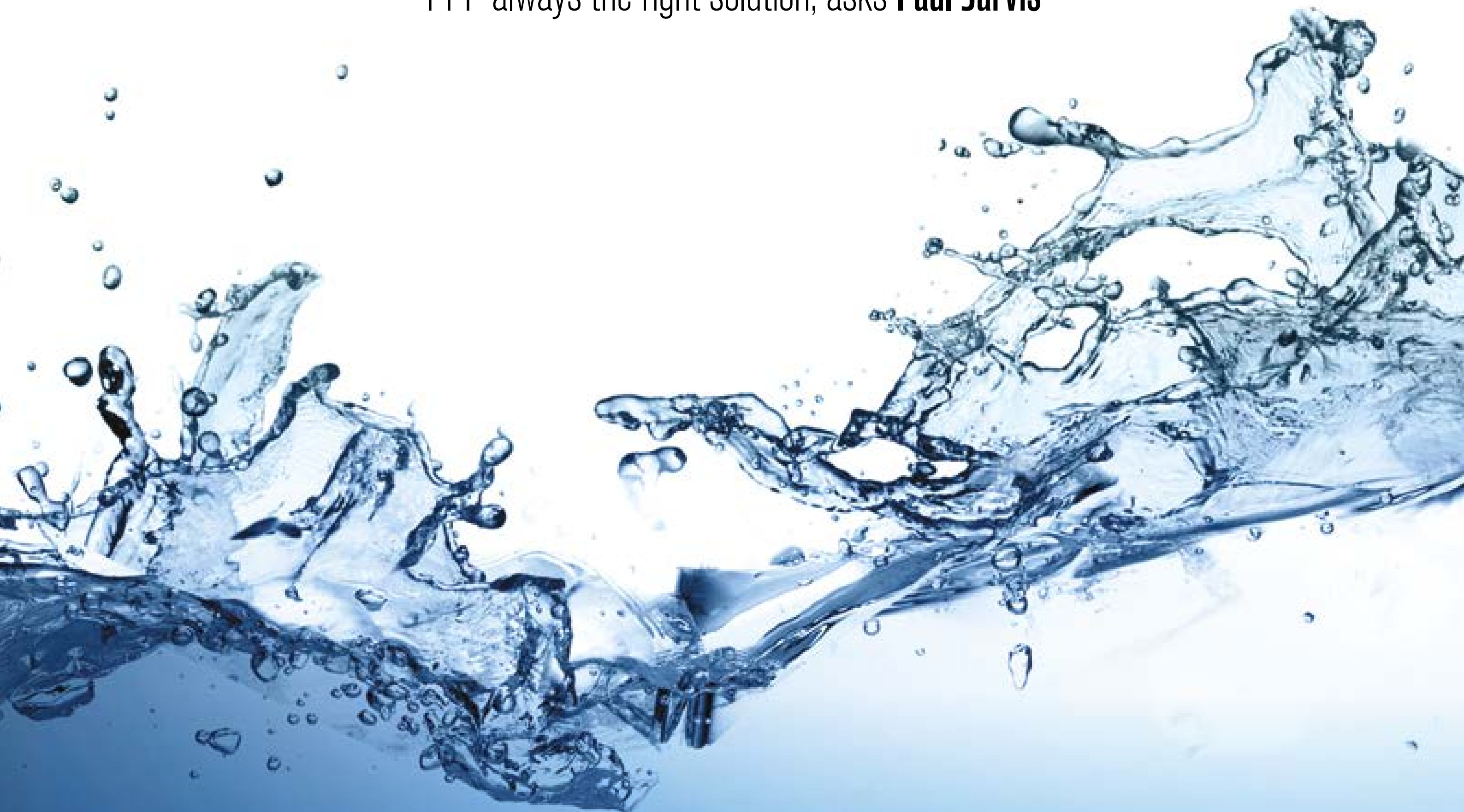
Increasingly, it is incumbent on public authorities to demonstrate that deals are operating as originally intended – that managers are doing what they can to ensure they are receiving the services they contracted and are paying for.

Where budgets are tight, authorities are under pressure to manage projects proactively (and perhaps ruthlessly!) and to look at all the options for enhancement and change. To do this in a productive way, there is a need to ensure that transparent and auditable performance data actually exists. This may not be the case when generic software is in place.

In addition, the private sector is now under pressure to show it is supporting authorities to deliver good value and to show its operations are fit for purpose.

For both sides of the table, then, addressing the information gap via integrated contract management software is likely to be a precondition of longer term success – a fact that was realised relatively early in Australia and Canada, such that many operational problems have been avoided. PB

Demand for new water infrastructure is set to soar over the remainder of this decade, but is PPP always the right solution, asks **Paul Jarvis**



WATER WORLD

In February this year, a report published by Bluefield Research suggested that the global water PPP market could triple by 2020.

The study predicts that total investment in the sector between 2016 and 2020 will surpass $58bn and add an average of 16 million cubic metres per day of treatment capacity annually, compared to around six million cubic metres per day added between 2010 and 2015.

Representing a huge increase in investment in the sector across the world, the research provides some major encouragement for the PPP industry as it looks to continue branching out away from the traditional comfort zone of social infrastructure. With more and more governments looking to develop economic infrastructure, water is being seen as a major part of that programme.

The report has gained plenty of traction within the PPP market, and is backed up by plenty of anecdotal evidence from practitioners that are seeing water infrastructure becoming increasingly important. “We fully agree with the report’s findings,” says Guillermo Moya, head of Europe at water infrastructure specialist FCC Aqualia. The firm is already seeing rising demand in the market across the board.

And the world is currently seeing a convergence of various factors that are driving the water infrastructure sector high up the priority list.

“One of the drivers for that forecast is the population growth in emerging markets,” says Ignatius Hwang, partner at law firm Squire Patton Boggs’ Singapore office. “Migration to urban areas in countries like China, India and Indonesia and African countries is also having an impact.”

PPP may not be right in all circumstances, but the sheer scale of potential investment in the water sector that is needed across the world suggests that it will have to play a part. This is particularly true given the current global economy, and the fact that, as Hwang points out, the areas likely to see the greatest need for new water infrastructure are emerging economies that cannot simply pay for new projects out of their own coffers.

“As developing countries evolve, the need for basic utilities goes hand-in-hand, for example, power, transport, water, and a bit further down the line is sanitation,” he continues.

His colleague based in London, Philippa Chadwick, picks up this theme, pointing out that ‘water infrastructure’ can mean myriad different things. “One of the attractions [to the public sector] is the breadth of the water landscape,” she explains. “There is obviously water supply and distribution, but also its use for developing agricultural businesses, its importance in flood control, such as through building dams, and its energy potential.

“The African Development Bank and others are looking at that wider picture.” +

Alan Baird, senior water supply and sanitation specialist at the Asian Development Bank (ADB), acknowledges this breadth of opportunity afforded by the water sector. He explains that the ADB's work covers five main areas in water: water supply, sanitation and wastewater management; irrigation and drainage; flood management; water resources development and management, including wetlands and watershed protection; and hydropower generation.

"About half a billion people in the region still lack access to safe water supply and more than 1.5 billion are still without improved sanitation," Baird continues. "More efficient and effective irrigation is needed to produce more food for the region's growing population."

World view

This diverse range of ways in which water can be harnessed to deliver not only potable water and sanitation projects, but also boost a country's productivity – whether that be through improved farming or using it to power energy schemes – means that water infrastructure is now becoming increasingly attractive on almost every continent of the globe.

"In China, for example, there is a very strong push by the government to develop and improve wastewater treatment and the provision of clean water," says Hwang. China is currently embarking on a hugely ambitious plan to deliver over 1,000 PPPs across the country, and it is likely that many water schemes will be included in this.

"In Indonesia, the government has tried to embark on a water PPP programme," adds Hwang. While that may not have proved so successful – the first project was suspended despite plenty of interest from international bidders and the scheme remains in limbo – the region is crying out for more investment in its water sector.

"Like China and India, there is so much to do in Indonesia and there is so much potential," adds Hwang.

"The Asia Pacific region is facing increasing water insecurity," says Baird. "Based on ADB's ongoing Asia Water Futures and Solutions Study, 88% of Asia's population will experience water scarcity by 2050. The impact of climate change makes the situation worse."

Then there is Africa. "A key area that needs to be looked at is agriculture," adds Femi Fadipe, technical director for development at WSP|Parsons Brinckerhoff. "It is great news to see that one of the African Development Bank's focus areas is 'Feeding Africa'. It is so relevant now."

While Asian and African countries may readily spring to mind when considering water needs, the experts are also keen to point out that there are plenty of other areas of the world where water infrastructure will play an important part over the coming years.

"Latin America is one of the key markets for our development," explains Moya. "There is a gap in both building and managing infrastructure. There are a number of countries in the continent, like Colombia or Brazil, that need the infrastructure in many cities. The shortfall is apparent in both more populated states, such as Minas Gerais or Sao Paulo, as well as in less populated areas, such as Mato Grosso. They have 80-90% of drinking water coverage, but only 60-70% of sanitation coverage."

In Europe, Moya adds that there are still plenty to be done. "In eastern Europe, there are going to be more smaller sized projects at a local level."

Countries across the Middle East are currently diversifying their economies as oil prices remain in the doldrums and countries seek to invest in infrastructure to boost flagging growth. "We are expecting more opportunities from Saudi Arabia," Moya continues.

But it is not simply emerging markets that will need investment. "In Italy, Portugal, Spain and, to some extent, in France, there will be more waste water treatment plants coming in the mid-term to ensure that they meet the highest EU standards on wastewater treatment." Moya continues.

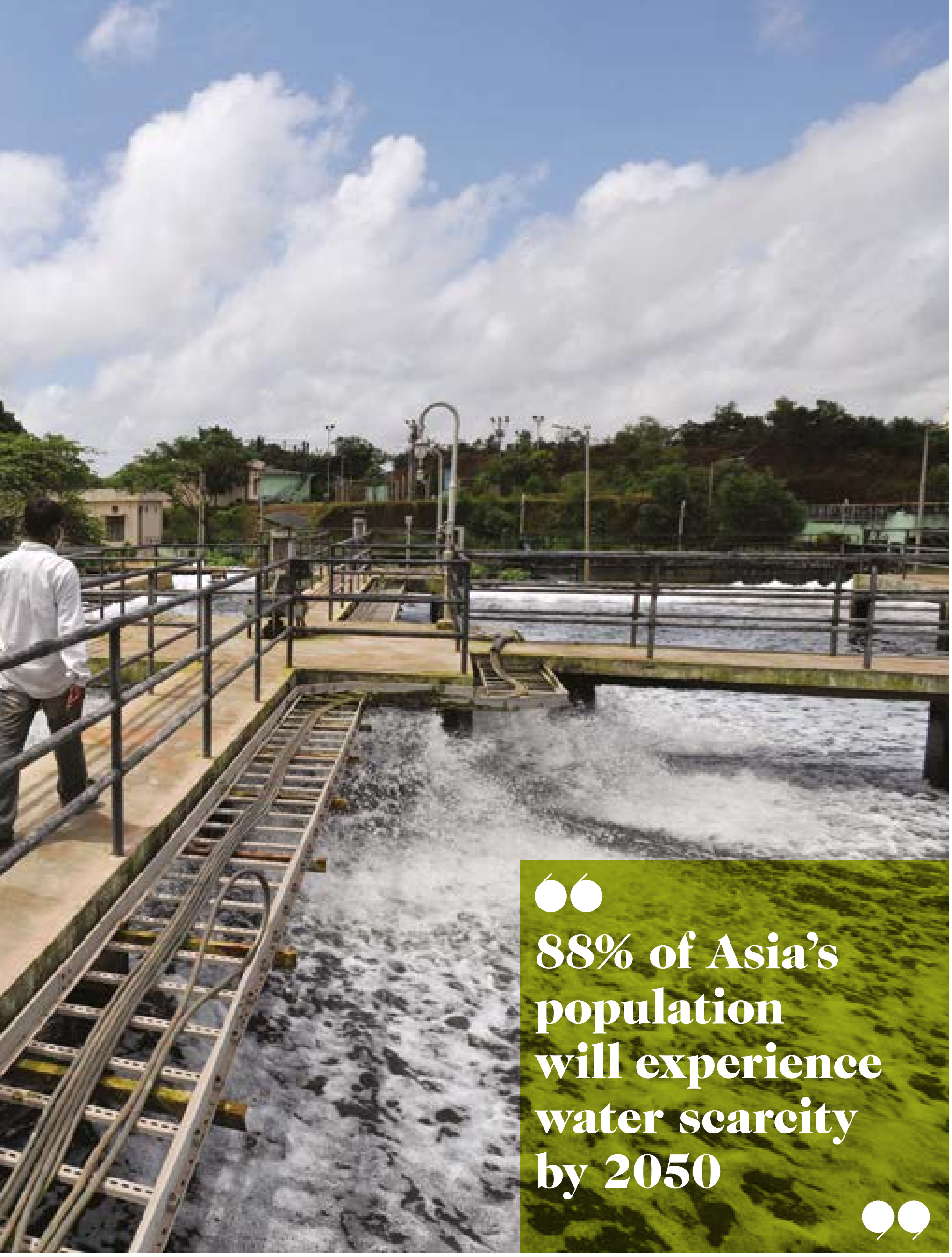
In the US, too, the opportunity for water infrastructure investment is growing. "Upgrading just the existing network in Florida is in the billions of dollars – and that is just Florida," says Chadwick. "The water infrastructure across the US is in need of substantial upgrade."

As well as a number of projects popping up at local and state level, Chadwick highlights the Water Infrastructure Finance and Innovation Act of 2014, which she says has the potential to significantly increase the number of privately financed water deals in the country.

Positive partnerships?

For all the different parts of the world in which water infrastructure is needed, however, it should not be taken as a given that PPP will be the model of choice in delivering it.

It will be harder in some countries than others.



> 88% of Asia's population will experience water scarcity by 2050

In the UK, for example, the fact that the water industry is privatised and utility companies are able to use the regulated asset base to leverage capital investment means a PPP model is less likely to be attractive.

"PPPs make sense for water treatment plants," says James Stewart, global chairman of infrastructure at consultancy KPMG. "But there is a question mark over whether it should be used for distribution and reservoirs. That takes you into a debate about privatisation."

He suggests that privatisation has been successful in the UK and other parts of the world where it has been carried out, meaning there may be little need for PPP-style investments in these jurisdictions.

However, where privatisation has not already happened, experts are sceptical about such major upheaval taking place today. "We will not see many pure privatisations of water infrastructure in the future, the political will is not there and the timing is not right," says Moya. "PPP agencies can catalyse investment and we see that happening in Mexico and Peru, among other places."

He adds that for municipalities, such as those seeking to deliver projects in Brazil, the only option is through some form of PPP structure.

Most believe that PPPs will probably be the dominant form of procurement for water schemes where the market is not privatised. "The World Bank and other agencies are pushing PPP on an ongoing basis, so we are bound to see more of these types of models," says one adviser. "They will be availability based, because investors are not going to take risk on usage."

This could prove to be something of a sticking point for the market if the public sector calls for demand risk contracts. "In many countries, you can't turn someone's water off if they don't pay, but you can turn their electricity off," explains Stewart. "So the default on water payments in the UK [for example] is much higher than it is on electricity."

This can potentially make it harder to do water PPPs in some countries – especially if the country in question has an uncertain political or financial future.

"There are some projects that can be developed via PPP and others that can be totally private," says Fadipe. "The option selected should usually depend on who is best placed to manage the risks and what the country's policies and regulations are."

Provided the public sector is willing to retain the risk of collecting the revenue, there are plenty of examples of countries that have made the model work.

"Those that have implemented private sector participation or PPP initiatives include mainly Armenia, Indonesia, the Philippines, and the People's Republic of China," says Baird, referring to countries within the ADB's remit. "These initiatives cover management contract, lease contract, concession agreements, build-operate-transfer and joint-venture arrangements and most, if not all, are in water supply and wastewater management."

"PPP is generally for an individual plant," says Stewart. "There are relatively few PPPs for integrated services."

The door remains ajar for occasional opportunities even in countries where privatisation exists. The UK Ministry of Defence, for example, delivered its Aquatrine project through a PPP, for example, while just last year the government signed the £4bn Thames Tideway Tunnel project with a raft of private investors.

"I can see similar issues in other major cities," says Chadwick, "and anything that requires the private sector to come up with more innovation is a good thing."

The industry is also confident in the potential of PPPs to deliver the investment that is required.

"We believe the 20-30 year PPP model, as seen in Europe, is a well-balanced model, and that is also the view of the municipalities as well," says Moya. "That way of collaborating works well for building new infrastructure."

Hwang agrees. "PPP is right where public funding is constrained. I am a firm believer that PPP is the way to go where public funding is constrained."

Away from water treatment plants, there will still be opportunities. "Irrigation projects can suit PPP," says Fadipe. "However, they traditionally need lots of land and it needs to be addressed early. Land and water rights issues can be complex in Africa. However, as long as the local communities – especially smallholder farmers – are engaged in the process then PPP could work."

The opportunities, then, are almost everywhere one cares to look. Getting the right investment model in the right place will be vital, though. "If a country doesn't have the right policy or regulatory framework, investors could be put off," warns Fadipe. PB

NO MORE BELGIAN WAFFLE

Belgium has been hit as hard as any European nation by the uncompromising approach to ESA10 taken by Eurostat. **Paul Jarvis** finds out what efforts are being made to tackle the problem

Belgium has plenty of need for new infrastructure. "The quality of existing roads is not good," admits one source in the country.

Indeed, roads are considered to be the main area of need by many in the country. "Apart from a couple of missing link projects, there are also existing roads that need to be taken care of (by renovation or broadening of the existing infrastructure)," says Elke Van de Walle, group manager of legal affairs at Flemish procurement agency PMV. "We see a lot of congestion, for instance in the region of Brussels and Antwerp."

This latter point, particularly of issue in the country's capital of Brussels, is leading some to suggest that road tolling may become a viable option in some parts of the country over the coming years.

"Is there a willingness now in Belgium and particularly in Brussels, for road tolling like they have in France?" asks one source. "There is lots of congestion. There might be a shift in mentality."

Johan Mouraux, a partner at law firm DLA Piper in the country, agrees that such a move could be beneficial. "It shows to road users how much it costs," he says. "But it is a politically touchy subject, look at the road blockades by truckers since 1 April when the system went live."

Away from the big ticket schemes, however, it is local authorities that are increasingly looking to use the model to deliver projects.

The problem here, though, is that it is often difficult to find projects of scale. "These days local authorities are particularly interested in structuring projects as PPP," says Van de Walle. "The main reason seems to be the fact that a PPP contract provides a long-term contract that guarantees high quality standards at a fixed availability fee. It should be noted, however, that not all projects are suited to be structured as PPP; when the project size is too small, structuring the contract as a PPP could possibly be inefficient."

"Foreign firms are less involved in Belgium and the Netherlands than they were, and that is due to the size of the deals," says Nico de Koning, bid manager and lifecycle engineer at contractor Besix. He points to the Netherlands locks programme, where the Limmel scheme could not find support from any non-Benelux banks

"It is tricky sometimes for equity providers because most projects are small compared to what you have in other European markets, even a close as the Netherlands," agrees Mouraux. However, he believes that, for banks, this is less of an issue. "On the debt side, although these projects are on the low side, there is so much money available that they will try to make it work."

Sleeping giant

However, there remains one rather large thorn in the Belgian market's side at present. "Belgium's infrastructure market is sleeping at the moment, because of ESA10," says one source. "It seems to be a policy of Eurostat now simply to treat all PPP structures as on balance sheet."

While the frustration is understandable, in most cases projects are considered on the government's books if the public sector retains a certain level of control. Even Scotland, which has been badly affected by the ESA10 issues, has managed to get around the problem for its Hub deals – with 12 projects given clearance to reach financial close at the end of last year.

Belgium, though, has so far failed to find a way around the problem that is acceptable to the public sector.

"We will see more projects turn to older models," says one source.

So why is the public sector so determined to hold onto its control over projects when a return to older models, such as the UK's PFI, for example, would likely circumvent the issues?

"The government as equity investor gets back equity on the income, which is one reason," explains Van de Walle. "When you have to find solutions to issues that crop up on projects, it always goes better when there is a commercially minded government team in the stake."

Some argue that Belgium has painted itself into a corner on the balance sheet issue. "In many cases projects were off-balance sheet and then put on after financial close and that is causing problems," says Ivan Costermans, director at KPMG in Brussels.

"Belgium has been very creative in its structuring of PPPs. And in some cases, it was surprising in the first place that projects were classed as off balance sheet."

He highlights an example of a deal pushed through during the financial crisis that saw the government guaranteeing up to 70% of the debt, but was still regarded as off the government's books.

Costermans also suggests that the fact any assessment of whether a project is on or off balance sheet will not be binding until financial close can make life difficult. "We had a project that was adjudged off balance sheet when it was looked at in 2013, but that view is not binding, so when it came to get assessed in 2015 it was judged to be on balance sheet," he says.

"You can't blame politicians for not bringing projects to market when they don't know until financial close how it is going to be paid for."

While Eurostat's interpretation of the accounting regulation has left many projects across the continent in trouble, Belgium has fared worse than most because – unlike in some countries such as the UK – the model has always been expressly about getting projects off the balance sheet.

"ESA10 is still a very big issue because for most Belgian authorities, the assumption was that PPPs should be treated off balance sheet and this is under discussion," explains Mouraux.

"It has always been about being off balance sheet in Belgium," continues Costermans. "It has always been explained that way. The down side of that is that people don't see all the other benefits which practitioners believe there are to PPPs."

One industry source is more optimistic. "The government has structured deals that are on balance sheet but still PPP, so it does recognise the benefit of doing PPPs even when they are on balance sheet."

Seeing the benefit

Nonetheless, the source remains concerned that the politicians will simply dismiss the model if they don't recognise what it has to offer beyond a simple accounting trick.

"The question now, with the Eurostat decision, is should we do PPPs? We are trying to convince authorities that we should because of the other benefits," says one source. "The Flemish government is still not convinced by PPP if it's not off the balance sheet."

Experts point to proposals put forward by the Flemish government for a sea lock for Antwerp. Despite proponents arguing that it could have been the perfect opportunity for a PPP scheme – potentially linking in with the existing lock programme in neighbouring Netherlands – it was decided not to use the model.

Some critics argue the Flemish government shied away from using PPP on this scheme because it already has an agency that would have lost out on the work had the private sector been employed to deliver it.

Antwerp: suffering from congestion

Whatever the reason, it is clear that more work needs to be done to convince those in power in the Flemish government that PPP can offer value for money, regardless of its balance sheet treatment.

Costermans suggests that project selection is crucial here. "Authorities need to take into consideration what PPP is good for," he suggests. Some point to the Brussels tunnel refurbishment project here, which is being touted as a potential PPP deal.

The scheme has all the hallmarks of London's failed Tube PPP: a refurbishment scheme on a tunnel that will need to remain in almost constant use; little understanding of the quality of the existing infrastructure until the work begins; and a whole range of different public sector stakeholders.

"It goes through all the different communes of Brussels and they will all have to have a say," explains one source. "There is no such thing politically as 'Brussels' because it is made up of a collection of communes."

Just one commune objecting to the plans could be enough to bring a halt to the whole initiative.

Creative types

For all the potential obstacles, though, Belgium has a strong track record of being creative when it comes to financing its infrastructure projects. Project bonds, for example, have proved a hit.

"Project bonds work well in Belgium, although bank finance seems to be back at competitive conditions," explains Van de Walle.

Similarly, the country has for a long time stuck to the negotiated procedure when procuring projects, but is now beginning to see the benefit of using competitive dialogue – albeit in a far less rigorous format than has been applied in countries such as the UK or Ireland, where some critics have argued its application has stifled both dialogue and innovation.

"PMV has been involved in two or three projects that were put on the market through competitive dialogue," says Van de Walle. "This method – which is new for Belgium – turned out to work very well for the projects concerned. Competitive dialogue provides a bid procedure where the bidders can try their ideas and prepare their bid, based on feedback. In complex projects this seems to be an advantage."

Koning agrees. "The difference between the negotiated procedure and competitive dialogue is not that big. We can learn and develop from what is being done."

Koning and others must now hope that those in charge of procuring new projects in Belgium will recognise the benefits within PPPs, regardless of what Eurostat may say about their accounting treatment.

HOUSE OF FUNDS

Michael Ryan formed Dalmore Capital just when the economy and the PPP pipeline was flatlining. He tells **Amanda Nicholls** how the fund manager has come out the other side

Dalmore Capital's CEO and partner Michael Ryan has enjoyed a good year. The fund manager is in the consortium financing the Thames Tideway Tunnel, and its latest fund is already 85% invested less than two years after first close. Its pension fund investors are becoming braver about where they put their money and Dalmore is starting to look beyond the UK.

It could have been a very different story. When Ryan set up Dalmore in 2009 with two ex-colleagues, the PPP market had turned from one with a healthy flow of deals, to stalling. Ryan, along with John McDonagh (COO) and Alistair Ray (CIO), still decided it was the right time to go it alone.

He explains: "In some ways the transition to Dalmore was straightforward. We decided that we were at a stage in our careers where we wanted to set something up that was independent. Obviously 2009 wasn't a great time to set up a business but equally it wasn't a good time to join a large institution either."

Winning over a cautious market wasn't a new challenge for Ryan. Like a lot of people entering the sector, Ryan first drifted into PFI in the early 1990s.

After helping to form HSBC's PFI team on secondment from KPMG, Ryan returned to the adviser and joined the newly formed PFI team. His next move was joining the UK arm of US investor Edison Capital in 1999. Unfortunately, the role didn't last long as the investor's parent company was stung by the Californian electricity crisis to the tune of $4bn and was forced to offload the peripheral parts of its business.

Ryan saw an opportunity and in 2001 helped to organise a takeout of UK infrastructure assets under the Noble Fund, where he stayed until 2004 when he helped to form I2, before moving on to establish Dalmore five years later.

Although Dalmore's three founding partners had a solid reputation in the market as individuals, convincing the historically cautious pension funds to invest in a new vehicle wasn't a quick process.

"For the first three years there was almost a deafening silence," says Ryan. "It is a conservative industry and the challenge in setting up an independent business is that, while you can point to a track record, you can't point to a balance sheet and obviously if they are investing in a 25-year vehicle they need a stable manager."

The challenge of raising for the first fund was compounded by Dalmore working almost exclusively with UK pension funds. Outwardly, infrastructure seems an obvious fit but the small, cautious funds were struggling to get comfortable with the asset class.

Ryan says: "Our focus and approach in infrastructure is really set up for pension fund investment – essentially it is long-term and low risk and inflation linked so for pension funds it is an ideal investment space because of low volatility but it gives them some of the inflation correlation that they are seeking."

Although I2 was very similar to Dalmore, it was dominated by short-term investors with a five-year horizon. "We felt it was time to grow a business which was based more around providing long-term vehicles for pension funds as opposed to providing vehicles that people could hold for a few years and then flip on to someone else," he explains.

Ryan says Dalmore's investors are largely UK pension funds together with pensions and insurers from Germany, but their investment perspective is the same in that they want to hold these assets to maturity.

But rewind to 2012 and Dalmore was still trying to set up its first vehicle. Ryan and his team decided to get creative.

> PFI was really set up for pension fund investment

"What we ended up doing was going back to our strengths and lining up a few transactions to encourage people to close the first couple of vehicles," he explains. "Four years further down the line, we have ended up with a little over £1.7bn under management; half of this is in co-investment and single assets, rather than funds, which increasingly appeals to investors who want greater exposure."

These vehicles were set up for particular opportunities. And Dalmore's first fund was seeded with a large transaction that Ryan knew would appeal to the pension funds. He was also able to use a longstanding relationship with the sponsor to complete the first close in a slightly back-to-front way.

"For this transaction the vendor was prepared to wait for us to finalise the fundraising rather than raise the money and then seek the transactions," he explains.

"For our first PPP transaction, a sale had been arranged but we teamed up with the other shareholders and used a pre-emption process and we lined up a number of North American pension funds that we knew would make that investment.

"The second one was a joint venture with Interserve, who we had done a lot of work with. We took a 50% stake in a portfolio of assets and lined up the transaction so it worked very well for Interserve but we were able to convince the pension funds to invest on the back of this transaction that was waiting to be closed."

And it worked. The first fund closed in 2012 and momentum then built very quickly.

"Once you can demonstrate to people that you have a number of vehicles under management it is far easier to raise for the next vehicle," says Ryan. "Once you get to a point where there is brand recognition and a track record for Dalmore, rather than a track record for vehicles from other roles, you open doors."

Softly, softly

Ryan admits there are still challenges working with UK pension funds, though.

"The UK pension funds don't invest as much in infrastructure as some other jurisdictions. In the Netherlands, Canada or Australia where they have larger pension funds, they have more resource, capacity and experience to do more infrastructure."

The government is trying to help, with Chancellor George Osborne last year unveiling plans to pool pension funds into six wealth funds. Dalmore has also recently worked on a collaboration between the London Pension Fund Authority and the Greater Manchester Pension Fund to help them invest in a large renewables asset. Ryan says this is an encouraging example of something being set up with a specific allocation for infrastructure and a team looking for transactions.

"We have been delighted to facilitate UK pension funds getting to a point where they can make direct investment in infrastructure the same way as the overseas funds can do," he says.

But there is still a long way to go. Ryan admits that a growth in the amount being invested by pension funds is more to do with increased appetite from existing players rather than new entrants.

"The process of broadening the pool is taking time," he says. "It is happening but the proportion of pension funds investing in infrastructure is still disappointingly small."

Meanwhile the UK PPP market has evolved to quite a different place.

Many have suggested the primary pipeline has dried up, and Ryan says it "is a lot thinner than it was". Asked if the secondary market is overheated as a result, Ryan doesn't agree but admits that it is becoming very competitive and that "returns have begun to plateau".

Ryan believes there is a good three or four years before the secondary market could start to dry up, and he is confident there are still opportunities beyond that. "The other thing that will happen as the market matures is that some of the shorter term funds who you wouldn't now regard as sellers, will become sellers. Because you get to a point where they were set up as 10/15 year funds and they might consider that rather than rolling the funds the best thing to do is sell. DIF recently sold its first fund and this type of transaction leads to a different kind of market where you are dealing with a whole portfolio rather than individual projects," he says.

Ryan predicts this will open up a whole raft of potential transactions.

Dalmore is also starting to explore investing in Western Europe and other sectors with a similar risk profile to PPPs.

"PPP will remain a core focus but we will invest more in larger assets going forward," he says. "When we look back at what we have done previously, co-investments were easier as we looked at our investor base and we know there's two or three guys who are interested in this and we just need to speak to them. Whereas now we are getting to a point where more and more funds are seeking out those opportunities so you have to offer them to everyone."

Ryan recalls a conversation in his first role at KPMG, where he was told that PPPs were a pension fund industry. It may have taken 20 years but he thinks we are finally getting there.

BUILDING BRIDGES

Andrew Rose has left the UK's Homes and Community Agency to become chief executive of the Global Infrastructure Investor Association (GIIA). **Paul Jarvis** catches up with him in his new role

What attracted you to the GIIA?

The role is very attractive to me as it combines many elements of my career over the past 20 years of my working life. This has included being a managing director of a North American investment bank running an infrastructure business, running three infrastructure related entities for the UK government and having responsibility for a regulator.

I was attracted to GIIA's aim of building a bridge between the private sector infrastructure investor community and the public sector. In order for governments to achieve a high quality of infrastructure, I believe that private finance is a crucial component to build the safe, modern, prosperous societies we all aspire to. And a fair, stable investment environment is needed to attract that money on the best terms available.

After several years of austerity, there is a huge opportunity to get to work to invest in infrastructure with significant amounts of private investment looking for a home. The OECD projects that by 2030 global infrastructure investment requirements for transport, energy, water and telecoms will total $71trn.

As many countries continue to implement austerity policies, it is clear to me that governments and the private sector need to collaborate even better to ensure that the billions of dollars required to invest in big infrastructure projects is procured as efficiently and effectively as possible.

When I heard about the GIIA, I felt it filled a gap and can perform a vital function. There's a real need for an infrastructure investor advocacy body like GIIA to work alongside policymakers to develop and maintain fair and transparent rule-making that enables a continued flow of investment.

Healthy and fair returns from infrastructure are in everybody's interests – after all, it's the public's pensions, the public's savings that go into private sector funds. So successful investment in infrastructure is investment by the public, for the benefit of the public.

How does your experience prepare you for this position?

I've spent much of my career in infrastructure representing both the public and private sectors. I spent 17 years at Canadian Imperial Bank of Commerce, where I was responsible for the infrastructure business within the European investment banking division.

More recently, as chief executive of the UK government's Homes and Communities Agency (HCA), I've spent three years leading the country's housing, land and regeneration agency, and articulating the view that housing is a core element of our infrastructure. We worked to release public sector land for new homes and built up HCA-Investments to apply commercial principles to stimulate investment into housing and related infrastructure.

At the HCA, I was responsible for a workforce of over 900 people in offices up and down the country. Combining this with my prior role as chief executive of Infrastructure UK, I believe I have plenty of experience of overseeing a large organisation, interacting closely with government officials and of working with a complex mix of stakeholders.

How do you see the role of GIIA developing and what do you hope to achieve at the organisation?

We want GIIA to be a prominent advocate globally for our members and be a recognised and authoritative voice for the industry. In government, it was often challenging to know precisely who to engage with when developing and implementing policy. I think it will be immensely beneficial to have a body with such an industry leading membership.

Our goal is to present a positive case for the benefits of private investment. We intend to make that case to the public, to policymakers, to opinion formers and to the media. And we want to make clear the value to all parties of a stable operating and regulatory framework.

I'm based in London and my initial focus, for the first few months, will be on Europe and North America, however I am optimistic that we will broaden that geographic scope shortly.

We already represent circa 50 members who collectively manage more than €300bn in assets. For example, Macquarie, Borealis, the Ontario Teachers' Pension Plan, Morgan Stanley and Goldman Sachs are on board. I'd hope to grow that membership: the more firms we have signed up, the more representative of the sector we become. We can provide an influential voice articulating the benefits of private finance.

As to my goals – well, I'd like to achieve an improvement in understanding of the very long-term perspective of GIIA's members and the benefits to governments of providing a stable operating environment and working with highly skilled investors.

How do you plan to work with all the different partner organisations that make up the GIIA and make sure their views are represented?

We're all essentially working towards the same objectives: to achieve a fair, honest, level playing field for private sector investors, working in an environment of mutual respect and building trust in our relationships with governments. There remains a degree of mistrust between the public and private sectors and it is important that this is addressed and the benefits of private investment be clearly communicated.

Of course, there will be differences in emphasis among my members here and there. Some of our members have different priorities to others, be it geographic or in terms of sectors. But we've all agreed on some core principles to gather behind, and it is those values that I'll be focusing on.

We have a management board and very robust governance arrangements for the association. That board includes some of the most experienced heads in the infrastructure industry, and they will elect an executive committee which will oversee day-to-day operations.

By articulating the shared perspectives of our membership, we aim to promote the needs and priorities of investors. This in turn will enable them to work with policymakers and regulators to achieve their ambitions in the sector. We aim to leverage our members' experience to promote best practice with governments and regulators to help ensure that capital continues to flow on mutually attractive terms to major projects.

> **We'll be a proactive voice in an industry that has too often been reticent about speaking out**

There are a number of organisations now in existence that have similar objectives, so what makes the GIIA stand out?

The GIIA is the first organisation that truly aspires to be industry-wide. It represents global infrastructure investors, and aims to be the leading public voice for the industry. It is positive that there are a number of entities with consistent goals and it is absolutely our strategy to work collaboratively with the other interested parties to build public understanding of the positive role played by private investors in long-term infrastructure, and develop relationships with governments that support the achievement of common goals.

How will you measure the success of the organisation?

Our aim will be for the GIIA to be well known and well understood both within the infrastructure field and beyond. We would hope to be a key advocate for private investment in government circles, and to be a go-to place for commentary on the industry from the media.

We will certainly keep track of our efforts to develop positive, transparent relationships with policymakers in key markets, and our endeavours to produce stable conditions for increased investment in major infrastructure projects across our key markets. I hope and expect that very soon, based on our world class membership, the GIIA is viewed as a single point of contact where one can get a perspective on issues related to infrastructure investment.

Around the world we are seeing more interest from governments in PPPs, but bankable projects are still relatively scarce – how can this change and where does the GIIA fit into this?

Several GIIA members have mentioned the existing gap between the number of available projects that can be invested in and the larger sums of capital available to invest in them.

One of the points I have made on many occasions is that the gap lies in the funding, the elements that support the cash flows that enable private finance to be delivered. This funding can come in many forms, but ultimately governments have a major say in how this is delivered. I would like to continue to champion the value of public sector investment in well-funded projects which will then attract and lever in the private finance that helps public finances go so much further.

To tackle this, GIIA will aim to change attitudes. We'll seek to convince governments that the private sector can deliver value. We'll provide case studies and we'll be a proactive voice, in an industry that has too often been reticent about speaking out publicly.

What would you consider to be your biggest success during your time at the HCA?

I enjoyed my time at the HCA enormously and worked with really hard working, committed and decent individuals. I cannot speak highly enough of it.

It is clear that I was brought in at a time when banking and investment skills were needed due to the design of government interventions.

There is little doubt that the creation of a new investment function, known as HCA-I, was my biggest achievement and HCA-I now has almost 100 staff. Their role is to provide public sector capital for development finance, provide finance to SME builders to help unlock stalled sites, and more generally increase investment in housing and infrastructure through greater use of equity, loan and guarantee products.

There are many aspects to running the HCA that were very rewarding and I am confident it will continue to play a leading role in the government's housing delivery agenda.

Country Watch

CANADA

A new wave of investment is on the horizon in Canada. *P3 Bulletin* editor **Dan Colombini** reports on how the Liberal government has sparked new opportunities for an already solid PPP market

Traditionally recognised as the strongest PPP market in the world, Canada has been through some pretty significant structural changes in 2016.

It has been well documented that the Liberal Party's surge to an unexpected election win in November last year was in part founded on a pledge to double the country's infrastructure investment. But since the implementation of the new regime, headed by Prime Minister Justin Trudeau *(pictured)*, the role that PPP would play in this massive $125bn infrastructure drive has been somewhat unclear.

Concerns that widespread governmental support for PPPs, solidified under the previous Conservative government led by Stephen Harper, would be scaled down were sparked when one of the new regime's first decisions was to remove the PPP screen from the influential Building Canada Fund.

The screen had been a major part of the methods used under the previous Conservative government and had contributed to impressive growth in the market by insisting that all projects be checked to see whether they could fit the PPP model before being undertaken. Despite no changes to the more relevant P3 Canada Fund however, the future of federal agency PPP Canada was also called into question. So, perhaps understandably, fears abounded that the Liberals would be urging provinces and municipalities to take a new approach.

When questioned, Infrastructure Minister Amarjeet Sohi hardly instilled confidence, saying that the federal government was neither for nor against P3s and stressing that the model's use will be left at the discretion of the municipalities overseeing potential new projects.

It certainly signified that the landscape of unwavering federal support that had led to so much growth under Harper had now shifted.

Much anticipation then followed as the market waited nervously for the government's first Budget, which would finally give the industry its first glimpse at just how the Trudeau regime was going to put its vast plans into reality.

That answer was provided in March when Finance Minister Bill Morneau revealed a plan to spend a total of $11.9bn on social, water and transit projects over the next two years. The plan is to be delivered in two phases as the government seeks to use infrastructure to kickstart the country's economy.

Phase one consists of the $11.9bn investment, which will include a series of social and transit projects and will see $4bn invested this fiscal year. The Liberals will then roll out an additional $7bn in infrastructure spending the following year.

Phase two will focus on the construction of larger-scale projects over the next eight years as the Trudeau government seeks to make good on its pledge.

A spend of $8.374bn over five years has also been announced to improve the lives of indigenous communities in Canada. The government has pledged to invest the sum in the creation of new housing, education and water facilities in the communities.

As expected, minor changes have also been made as PPP agency P3 Canada will now answer to Sohi in his capacity as Minister of Infrastructure and Communities. Previously the organisation was overseen by the Ministry of Finance.

While no clear indication as to what portion of the government's huge plans will be PPPs, the feds are at least providing the funding for regional governments to develop their pipelines. The investment in indigenous populations will provide the country with the opportunity to take the wider pipeline into new territories too, with this particular sector long being touted as a new opportunity for investors.

First Nation governments have traditionally faced major challenges accessing capital for infrastructure and economic development projects, particularly in areas such as water treatment, so PPPs look set to flourish.

So after some initially worrying signs for what has traditionally been an extremely reliable market, there is once again a real sense of optimism over what could be a huge ramping up of opportunities over the coming years.

"We are encouraged by the federal government's commitment to increase infrastructure investment across the country and believe PPPs will continue to play an important role in the national infrastructure agenda," says Canadian Council for Public-Private Partnerships (CCPPP) chief executive Mark Romoff.

"Ottawa's commitment to increase its investment in municipal infrastructure has prompted more local governments to consider the benefits and efficacy of public-private partnerships. The CCPPP is prepared to educate and support the municipalities to ensure the right procurement models are chosen for the right projects."

All eyes will now be focused on the next wave of investments – the majority of which will be coming from

municipalities and First Nations communities.

Sohi has acknowledged that regional governments are best equipped to identify their infrastructure needs, but without the PPP screen available there have been calls from both the public and private sectors for some strings to be attached to the newly announced federal funds.

With the removal of the screen, municipalities will certainly be provided with more freedom, but they must also now do without a rigorous tool with which to assess and judge a project's viability and merit – something that could be an issue for an inexperienced government.

To address this, the federal government is proposing some form of infrastructure bank, but how that will be partnered with the use of PPPs and the role of P3 Canada remains to be seen. However, there are more ideas in that sphere: P3 Canada is also finalising new guidance for municipalities procuring P3 projects and expects the template to be rolled out this year.

There has been a call from the private sector to work towards increased standardisation for projects led by municipalities, to help these smaller projects compete for private sector interest over the larger transport deals, and this could be just the ticket.

But despite the relative uncertainty still facing the market, investors are certainly not shying away at this stage. In fact, the market appears to be buoyed by the imminent wave of investment.

"In Canada, after 1.7% in 2015, stronger growth is once again expected for 2016," said construction giant Hochtief in its end of year results.

"Growth rates of 3.2% are expected in light of the new programmes established in connection with the change in government. The North American market has major, lasting growth potential for PPP road and bridge construction projects."

Ratings agency Moody's agrees. In its report on global PPP trends, the firm said there is a "sustained pipeline" in Canada, despite the recent change of government.

And projects are continuing to come thick and fast. In March, Infrastructure Ontario confirmed that a request for qualifications for the new Toronto Regional Courthouse and the West Park Healthcare project will be issued by the summer.

If the country continues to deliver reliable and timely deals, the appetite for investment from all quarters will only grow further.

Canada has undoubtedly succeeded where others have failed when it comes to managing to convince not just politicians but the wider public on the benefits of PPP. With this widespread support, the country has managed to weather various storms over the past few years and still continue to support growth.

New commitment from the federal level, combined with ongoing support at more local levels, means the country looks set to take the market to new heights over the coming years. PB

The Legal Bit:

As part of the 2007 Budget, the Canadian government announced key measures to promote the use of the PPP model, including the establishment of PPP Canada to spearhead efforts at the federal level and catalyse the use of PPPs by other levels of government through the dedicated P3 Canada Fund.

PPP Canada was established to build P3 procurement knowledge and capacity federally, and leverage greater value for money from federal investments in provincial, territorial, municipal and First Nations infrastructure.

Much of the expertise that has overseen the success of Canadian P3s also comes from the work of the regional procurement agencies that import knowledge and support surrounding the use of the model.

As a result, there is varied federal, provincial, and territorial legislation respecting PPPs. Some legislation is limited to specific projects, such as the Deh Cho Bridge in the Northwest Territories, or Highway 407 in Ontario. Wider legislation across the country enables private investment in specific sectors, such as transportation and healthcare.

Most jurisdictions have published guidelines and frameworks for P3 procurement.

UNITED KINGDOM

Burbo Bank Extension OFTO

Awarding Authority: Office of Gas and Electricity Markets (Ofgem)
Status: Advertised
Details: Ofgem is seeking pre-qualification bids for Tender Round 4 (TR4) of the offshore transmission owner (OFTO) scheme. Bid submissions are due by 6 June for the Burbo Bank Extension OFTO scheme, the only project in TR4. The 258MW project is jointly owned by Dong Energy (50%), KIRKBI (25%) and PKA (25%) with an initial transfer value of £230.2m. It will be situated approximately 20km off the coast of Liverpool and will consist of 32 x 8MW turbines. The deadline for clarifications is 23 May. An invitation to negotiate will be launched in September with a preferred bidder expected in March 2017. Tender Round 5 will be launched later this year and includes the Dudgeon, Race Bank, Walney Extension, Galloper and Rampion wind farms. Ofgem aims to run a tender from 2017 for onshore competition.

Contact
Office of Gas and Electricity Markets
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Central Northallerton Design and Development Institutionalised PPP

Awarding Authority: Hambleton District Council
Status: Advertised
Value: £10-15m
Details: The council has unveiled plans for a private sector partner to deliver the project under a local asset-backed vehicle (LABV), which will be located on the site of the former Northallerton prison. The project on the town centre site is regarded as strategically important to the council and will include the development of retail, leisure, housing and community use premises.

Contact
Hambleton District Council
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procurement@hambleton.gov.uk

Cylch Caron Integrated Resource Centre Project

Awarding Authority: Ceredigion County Council
Status: Advertised
Details: Ceredigion County Council has issued a prior information notice regarding its plans for a new health programme focused around extra care housing, following 2014's £1bn masterplan. The project will include intermediate care, respite accommodation, rehabilitation facilities, GP surgery, health facilities, community facilities, pharmacy, and other commercial uses – in addition to the extra care housing. A favoured procurement route has yet to be chosen.

Contact
Cyngor Sir Ceredigion County Council
Nerys Lewis
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Denbighshire UK Leisure Framework

Awarding Authority: Denbighshire County Council
Status: Advertised
Details: The council is seeking a development partner under a UK wide Framework Agreement to assist with the development of new and the redevelopment of existing leisure facilities and services. The option for the developer to provide project funding may be required by some participating authorities. Agreements will be for four years with the option to extend by a further year. At the time of going to press, a formal contract notice was expected to be issued in April 2016.

Contact
Denbighshire County Council
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Oxford Oxpens Development

Awarding Authority: Oxford City Council
Status: In planning
Details: The authority will now begin searching for a development partner for the Oxpens development strategy, after Nuffield College agreed to enter a joint venture with the council to act as a funding partner. The authority and college will create a 50-50 joint venture vehicle to unlock major private investment in a range of new developments, including business space, transport improvements and city centre regeneration. The plans also envisage over 300 new homes and visitor accommodation. The next step will be to get a development partner on board and establishing a general masterplan for the area.
Contact
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Silvertown Tunnel PPP

Awarding Authority: Transport for London
Status: Advertised
Details: The agency has issued the prior information notice for the project. A private partner will design, build, finance and maintain the new river crossing between Silvertown and Greenwich Peninsula in east London. User charging is expected to be applied to manage congestion and help fund the scheme, while the agency may consider other commercial arrangements. An industry day will be held on 11 May to engage with potential bidders. Interested parties were required to register by 8 April. A contract notice is to be published "in due course".

Contact
Transport for London
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UK Government Law Firm Panels

Awarding Authority: Cabinet Office
Status: Advertised
Details: The Minister for the Cabinet Office has posted a tender for a panel of law firms to provide services to all UK departments to support a range of projects, disputes and initiatives. Among the mandatory specialisms for this panel are 'Projects / PFI/PPP', 'Public Procurement', 'Construction' and 'Partnership'. Expressions of interest are due by 29 April with award procedures to start on 16 May. The Cabinet Office also wishes to establish a panel of law firms to provide specialist legal services for finance and highly complex transactions for central government, including major or complex projects. Expressions of interest are due by 27 May with award procedures to start on 12 June.

Contact
The Minister for the Cabinet Office acting through Crown Commercial Service (CCS)
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EUROPE

Germany's New Generation PPP Programme

Awarding Authority: Federal Ministry of Transport and Digital Infrastructure, Germany
Status: Advertised
Details: The ministry plans to tender two to three road projects per year by 2019, however the exact sequence has not yet been concluded. Pending the necessary economic viability budget approvals, PPP procurement procedures should start in 2016 for the A3 stretch (AK Biebelried – AK Fürth/Erlangen) and A49 stretch (AK Kassel West – Anschluss A5). The A3 contract is a six-lane expansion in Bavaria, while the A49 contract is a new road to close a gap in the network in Hesse.

Contact
BMVI
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Irish Social Housing Bundle 1

Awarding Authority: Department of the Environment, Community and Local Government
Status: In planning
Value: €100m
Details: The department has approved site locations for over 500 new social housing units to be delivered through the first PPP bundle under an availability-based model with a 25-year term. The private partner will design, build, finance and maintain the units on sites provided by the state. The social housing is being developed at six sites. Further technical advice and a project legal adviser will be procured in the first half of 2016 to progress the first bundle. It is intended that the schemes for the first bundle will be developed to planning permission stage in advance of commencing the PPP procurement.

Contact
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procurement@ntma.ie

EUROPE

Kaunas Port PPP

Awarding Authority: Ministry of Transport and Communications, Lithuania
Status: Advertised
Value: €85m
Details: The Marvele cargo port is located on the River Nemunas in Kaunas and the project is expected to reduce road freight. Requests to participate are due by 3 June. The scope of the project includes extending the dock by a further 80 metres at least and the construction of internal roads and utilities infrastructure, storage facilities, and loading equipment.

Contact
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Kulturhus Stompwijk PPP

Awarding Authority: Municipality of Leidschendam-Voorburg, Netherlands
Status: Advertised
Details: The municipality is seeking a private partner to design, build, finance, maintain and operate the Kulturhus in the village of Stompwijk. Located on the site of a primary school, the project will consolidate the activities of five organisations under one roof to provide health, culture, education, and childcare services. Requests to participate are due by 17 May, with a shortlist of up to five candidates for the 30-year contract expected in June.

Contact
Gemeente Leidschendam-Voorburg
inkoop.en.aanbesteding@leidschendam-voorburg.nl

Paul-Henri Spaak Building

Awarding Authority: European Parliament, Belgium
Status: In planning
Details: The European Parliament has issued a tender for project management services for the Paul-Henri Spaak parliament building in Brussels. One of the key capacities required from candidates is at least three references to completed (or ongoing) assignments involving assistance with the management of PPP or design-build projects. Requests to participate are now due by 3 May, with tenders to be opened on 11 May.

Contact
European Parliament
unité des contrats et marchés publics — Bruxelles
INLO.AO-BRU@ep.europa.eu

R4 Expressway PPP

Awarding Authority: Ministry of Transport, Czech Republic
Status: In planning
Details: The Czech government has approved the construction of a 32km section of the D4 motorway between Pribram and Pisek as a PPP, which forms part of the wider R4 programme. With zoning issues settled, construction of the country's first PPP could begin in the second half of 2017. The ministry hopes to commence procurement of the PPP contract in June 2016.

Contact
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Rillieux-la-Pape Aquatic Centre

Awarding Authority: Community of Sagra Alta, Spain
Status: Advertised
Value: €40m
Details: The commune of Rillieux-la-Pape, in the Metropolis of Lyon, has launched a concession contract to design, build, finance, maintain and operate an aquatic centre in the city. Pools will be located in a 10,000sq m area. The winning firm will operate the facility for at least 18 years, with a maximum of 25 years. The final concession term will be defined with the winning firm. Parties have until 9 May to submit proposals.

Contact
Rillieux-la-Pape city council:
+33 437 850 000
contact@rillieuxlapape.fr

Sagra Alta Wastewater PPP

Awarding Authority: Community of Sagra Alta, Spain
Status: Advertised
Value: €34m
Details: The community of Sagra Alta in Spain's Castilla-La Mancha region has launched a concession to design, expand, build and maintain a wastewater treatment plant in Numancia de la Sagra. Works include doubling the existing waste plant's capacity from 7,500 cubic metres per day to 15,000 cubic metres per day, plus the construction of two new bypass collectors. The winning firm will maintain and operate the facility under a 25-year concession. Works should be completed in 24 months. Parties have until 26 May to submit proposals.

Contact
Pleno de la Mancomunidad Sagra Alta
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Thriasio Cargo Centre

Awarding Authority: GAIAOSE, Greece
Status: Advertised
Details: Greek state company GAIAOSE has extended the deadline for bids for the Thriasio Cargo Centre PPP by two months to 31 May 2016. GAIAOSE is seeking a private partner to design, construct, finance, maintain and operate an intermodal logistics centre in the municipality of Aspropyrgos, in the metro Athens region, under a 50-year concession. Construction will include the main railway infrastructure for the cargo centre.

Contact
GAIAOSE
+30 2108318158

Udine Waste Plant PPP

Awarding Authority: City of Udine, Italy
Status: In planning
Value: €33m
Details: The city of Udine is seeking a firm to develop a waste plant to be delivered under a PPP scheme. The winning firm will design, build and operate the plant, and invest €8m in the project. The contract involves a 23-year concession to collect organic materials. Interested parties have until 16 May to submit proposals.

Contact
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Vienna Berresgasse Campus PPP

Awarding Authority: City of Vienna, Austria
Status: Advertised
Details: The city of Vienna has issued a prior information notice for a private partner to deliver the Berresgasse school campus project to house 1,100 students located in Berres. Under the PPP the winning firm will design, build and finance the new campus. Among the facilities in the building will be a gymnasium and a basketball court. Award procedures are expected to start on 20 June. The school will be completed in 2019.

Contact
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Vilnius Multifunctional Hub

Awarding Authority: Vilnius City Municipality and the Government of Lithuania
Status: Advertised
Details: Lithuania's Central Project Management Agency is currently drafting tender documents and it is expected that a preferred bidder will be selected in 2017. The scope of the project includes a 15,000 seat stadium and up to 1,500sq m of space for a sports museum and other educational facilities, as well as commercial facilities. The concessionaire will be responsible for designing, building, maintaining, operating and providing event planning services for public events.

Contact
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ASIA-PACIFIC

Colombo Port – East Container Terminal

Awarding Authority: Sri Lanka Port Authority, Sri Lanka
Status: Advertised
Details: Under the 35-year contract the concessionaire will operate and maintain the existing 440m berth, and design, build, finance, maintain, and operate an additional 760m berth and yard and transfer the entire terminal at the end of the term of the concession. The concessionaire will collect fees for terminal services. A request for proposals is expected in the third quarter of 2016, with a preferred bidder expected in the first quarter of 2017.

Contact
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Asian Development Bank
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Cross River Rail

Awarding Authority: Cross River Rail Delivery Authority, Queensland, Australia
Status: In planning
Details: The Queensland government is to establish the Cross River Rail Delivery Authority to lead the development, procurement and delivery of Cross River Rail. The new delivery authority will seek federal, state and local government co-investment and private sector participation as funding, financing and delivery partners. The updated fast-tracked business case is to be completed in mid-2016. The Department of Infrastructure, Local Government and Planning and the Department of Transport and Main Roads are co-sponsoring investigations to finalise the preferred delivery model and KPMG and Clayton Utz have been engaged. Procurement is to take place between mid-2016 to late 2017 with construction to begin in 2019.

Contact
Queensland Department of Transport and Main Roads
1800 010 875
crossriverrail@tmr.qld.gov.au

Melbourne Metro Rail Project PPP

Awarding Authority: Melbourne Metro Rail Authority, Australia
Status: In planning
Value: A$9-11bn
Details: An availability based PPP will include design and construction of the twin 9km tunnels and five underground stations, private finance and the provision of maintenance and other services during the operating term. A call for expressions of interest for the PPP contract is expected to be released in mid 2016. A registration of interest has been posted by the Victoria government.

Contact
Melbourne Metro Rail Authority
MMRA-Procurement@ecodev.vic.gov.au

New South Wales PPP Advisers

Awarding Authority: Government of New South Wales, Australia
Status: Advertised
Details: New South Wales Treasury is seeking expressions of interest from firms for the new pre-qualification scheme to advise the government over three years, with an option for extensions. Divided into four parts, shortlisted respondents will be qualified to provide advice and project leadership for commercial projects, state asset divestment projects, PPP projects, and expert advice on specific projects that are not typical PPP projects. This reissue is for new proponents only. There are four scheme appointments, two of which cover PPP expertise: PPP financial advisers and a PPP specialist industry adviser. Submissions for the scheme are due by 6 May.

Contact
New South Wales Treasury
Prequal.Enquiries@treasury.nsw.gov.au

Queensland Market-led Proposals

Awarding Authority: Government of Queensland, Australia
Status: In planning
Details: Queensland's State Infrastructure Plan encourages the private sector to partner with government to develop innovative solutions to the state's infrastructure needs. Premier Annastacia Palaszczuk said the plan is focused on working in partnership with the private sector and implementing a programme of reform initiatives. The plan states that infrastructure funding models such as PPPs are attractive for some large investments, and value capture methodologies can provide new ways to help fund infrastructure.

Contact
Queensland Treasury
MLP Secretariat, Commercial Group
07 3035 1832
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MIDDLE EAST & AFRICA

Gautrain Extension

Awarding Authority: Gautrain Management Agency, South Africa
Status: In planning
Details: A feasibility study to construct a potential additional 140km of new track should be completed by June. The extension will probably be a series of PPPs to accommodate the phased rollout of the new network in Gauteng. Cliffe Dekker Hofmeyr, Deloitte, and SMEC (Snowy Mountain Engineering Company) are the transaction advisers to the Gautrain Management Agency for the feasibility study. In addition to the extension of the network, plans are underway to expand the current network that has been operated by the Bombela Concession Company under a PPP contract since 2012.

Contact
Gautrain Management Agency
+27 (11) 086 3500

Kopanong Precinct PPP

Awarding Authority: Gauteng Department of Infrastructure Development, South Africa
Status: Advertised
Details: A request for qualifications has been issued to design, build, finance, operate and maintain a cluster of buildings in the Kopanong Precinct of Johannesburg. GDID is engaging transaction advisers for one of up to seven expected clusters of buildings. The project will consolidate all head offices of provincial departments and also regenerate the Johannesburg Central Business District. A total of 21 buildings and properties will undergo major refurbishment and rehabilitation. Bidders will be allowed to bid on as many clusters as they choose, but no bidder will be awarded more than one cluster. Responses are due by 6 May 2016 and at the time of going to press, enquiries were to be submitted by 29 April.

Contact
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Red Sea – Dead Sea Water Project PPP

Awarding Authority: Ministry of Water and Irrigation, Jordan
Status: Advertised
Value: $900m
Details: The Jordanian government has issued a request for qualifications for the first phase of the project, which includes the construction, finance, operation and maintenance of a conveyance system for the transfer of Red Sea water and desalination plant brine to the Dead Sea. A hydroelectric power generation station will also be constructed along the conveyance system. Associated treatment and storage facilities will also be constructed. The project is a result of a memorandum of understanding signed in 2013 between Jordan, Israel and the World Bank. Pre-qualification documents are now to be submitted by 2 May 2016 following a second extension to the deadline.

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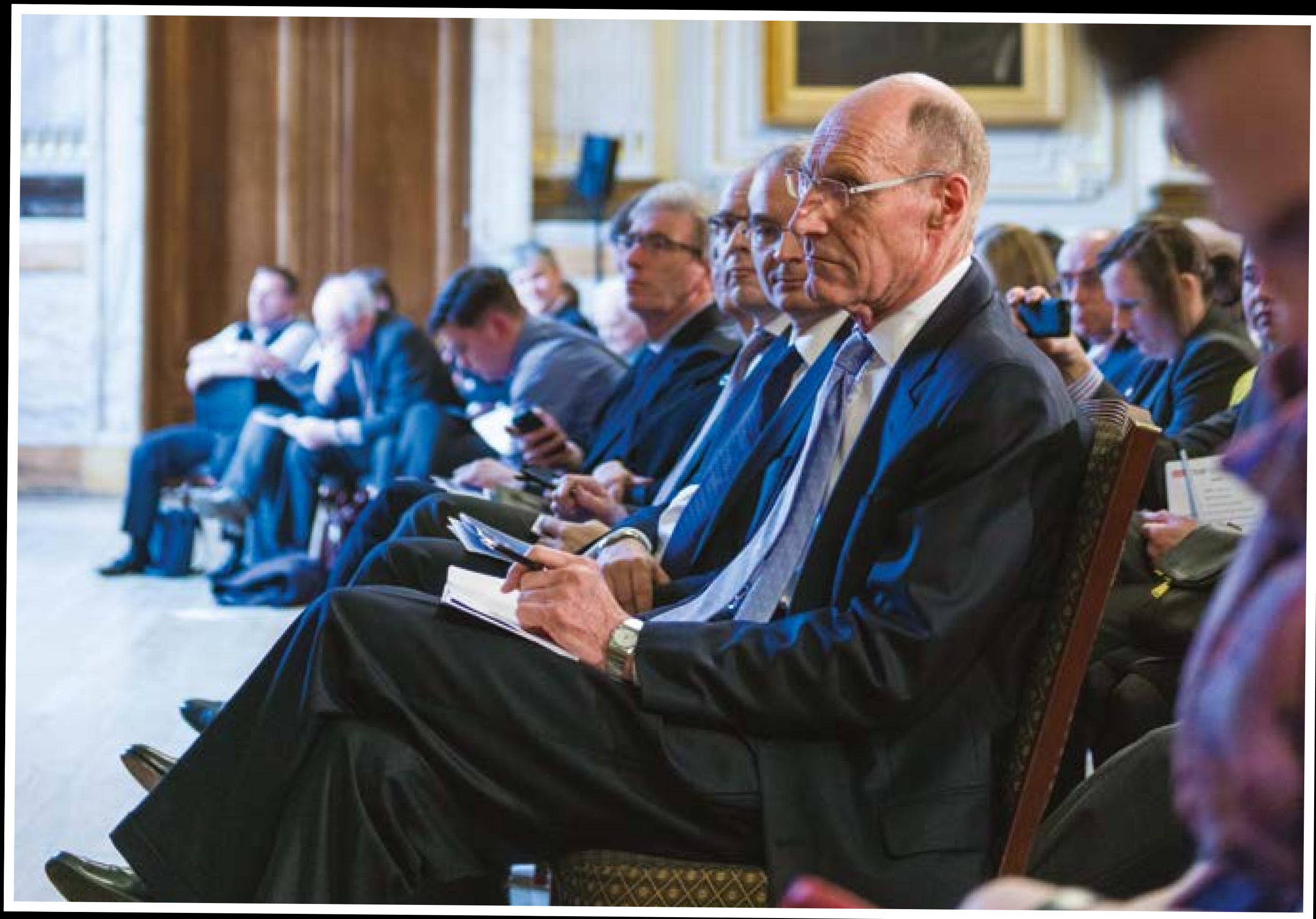
DIARY

As the London mayoral election draws closer, Partnerships Bulletin was at the Institution of Civil Engineers' Westminster headquarters for the London Infrastructure Debate




GREEN
INFRASTRUCTURE

DEALSWORTH

Resident snoop Hackitt P Dealsworth takes a lighter look at the partnerships world. This month, he wonders what takes up the Treasury's time, and considers the merits of PFI as a punchline

Living in the past

As we all know, Infrastructure UK is now part of the merged Infrastructure and Projects Authority (IPA), and it seems that the new organisation has been spending its first few months working on PFI and PF2.

Well, sort of. One of the first publications to appear on the authority's web page was the latest update on data for PFI and PF2 projects.

But before you all get too excited that this new organisation had managed to develop a pipeline of new deals for the industry to get its teeth into, it is important to check the relevant dates.

For this provision of "2015 summary data" gives an update on all project progression "as at 31 March 2015". So this provides the market with the latest information – as of a year ago.

No wonder the market seems to be stuck in stasis, the government's own officials appear to be running a full year behind. Quite what the IPA team (and before them, the IUK team) have been doing that they can only run this information a year behind is intriguing. It's not as if the market has been flooded with so many deals that it is impossible to keep track of them all, is it?

No joke

As most people in the PPP industry will have come to realise over recent years, 'PFI' can often be the butt of jokes.

Indeed, it has even been suggested within these pages in the past that PF2 was in fact the Treasury's ultimate joke on the industry.

But it seems that the concept has even proved rather controversial in the world of comedy. A recent review of stand-up veteran Stewart Lee's latest television outing puts the PFI concept front and centre of a debate that is apparently raging on the comedy circuit.

The article in the *Independent* begins: "What is wrong with the following gag? 'John Whittingdale: a man who, if he saw the aurora borealis twinkling over a Scandinavian snowfield would only see a missed opportunity for a public-private finance initiative.'"

Apparently, Lee reports that many younger comics don't really find it funny because it's just a bit too surrealist – how could you make a PFI out of a natural phenomenon?

I suspect Lee may soon find another problem with his gag, though: it will have been so long since anyone saw a PFI, they won't know what one is.

Women in infrastructure

Off to the grand surroundings of the Institution of Civil Engineers for the London Infrastructure Debate, featuring some of the main candidates for London mayor.

However, I was (along with several others) a little disappointed to find that neither the Tories' Zac Goldsmith nor Labour's Sadiq Khan had found space in their busy schedules to come along – despite having apparently previously committed to it. UKIP's Peter Whittle was quick to express his disappointment, claiming it was the third time he had sat on an infrastructure debate without either turning up.

Some in the room did wonder whether the no-shows meant that the two main contenders actually don't place infrastructure too high on their agenda.

I have another theory, however. Zac and Sadiq's replacements were both female (transport minister Claire Perry and London Assembly member Valerie Shawcross, respectively).

Together with the Green Party's Sian Berry and Lib Dem Caroline Pidgeon, it meant that Whittle was the only man on the platform (barring host, Antony Oliver).

I suppose that is one way to get more women into infrastructure.

Clear as mud

A longstanding criticism of PPP has always been the apparent lack of transparency in deals, with financial information and other data often kept from prying eyes due to claims of commercial sensitivity.

This appears to have been taken to another level by one German organisation in recent weeks, however.

Asked by this publication for the status of a particular project – basically whether it was still happening – a spokesperson for semi-state advisory, PPP Germany (or OPP Deutschland), explained that they could not let us know what was happening due to confidentiality issues.

This means that it is not clear whether the project is going ahead or not, and the one agency that should presumably be informing the market seems unable to do so because of commercial sensitivities.

It is, perhaps, pertinent to note at this point that the German government announced in March plans to "restructure and strategically realign" the agency. Whether this will lead to more transparency or less, however, only time will tell.

PPP Cycle Challenge Corsica

15 - 19 June 2016

The bi-annual PPP Cycle Challenge will take place on the beautiful island of Corsica. Cyclists will enjoy three full days of between 50 to 70 miles of riding each day. Much of the route will be along or close to the coast, with a mountain backcloth but with some big climbs comparable to the Pyrenees.

The route will follow part of each of the first three legs of the 2013 Tour de France but will also include sections of spectacular scenery missed by Le Tour.

A summary:

Approx. 175-210 miles cycling over three days
Four nights in 3*/4* hotels
Open to both novices and experienced cyclists
The bike ride will be open to participants from all areas in the PPP market – both UK and overseas
We have a maximum of 40 riders

The cost for the trip, including all local travel, meals and accommodation is £850 + VAT (excluding flights).

To register for the challenge, please contact:

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