

DRAFT FOR CONSULTATION

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# Delivering on the service promise

25 years of Public Private Partnerships in Australia





Infrastructure Partnerships Australia is an independent think tank and executive network. We are a network of public and private infrastructure organisations. We exist to shape public debate and drive policy reform to help Australia achieve the best possible social and economic outcomes.

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## Background

There have been many reports published of research into Public Private Partnerships (PPPs), with many focusing on project delivery and financing costs.

In Australia, one of these date from 2007 and again in 2008 when Melbourne University's Associate Professor, Colin Duffield, led one of the first major comparative studies between the cost and time performance of PPPs, and traditionally delivered public infrastructure projects. The findings of this study demonstrated that PPPs reduced the likelihood of cost escalation and delivered major projects in a timely manner.

Based on the 2007 and 2008 research the community, in both Australia and overseas, has generally accepted that when applied appropriately PPP projects bring value to governments in terms of control of capital expenditure and optimising the likelihood of on time delivery.

PPP projects now have been operating in Australia for some 25 years and it is well overdue to comprehensively and robustly research the operating performance of mature PPPs as experienced by users. In this regard there is a lack of independent research on the operating performance of PPPs in meeting the service objectives of governments and their communities.

**This proposed scope will provide research in Australia that considers whether mature operating PPPs are meeting the service delivery outcomes expected by users. It will assess whether the uplift in service benefits, promised by the proponents of the PPP model to the user community, have been achieved.**

## The scope of research activity

The scope of the research to be undertaken by the independent consultants, University of Melbourne and Drum Advisory, is:

1. Assess whether mature operating PPP facilities for social infrastructure are meeting the service delivery outcomes for user groups as set out in contractual agreements.
2. Investigate with user groups whether the uplift in service benefits promised by the proponents of PPPs to the user community, as set out in media releases and other community information documents, have been achieved. ***[It is anticipated that the communication files for the case study projects will be provided to the research team. It is also expected that assistance will be provided to assemble the right project stakeholders to the proposed workshops].***
3. Compare, where data is available, user group satisfaction with PPP assets and service delivery to that of traditionally procured and delivered assets and services.
4. Identify what factors contribute to an uplift of positive user group satisfaction in PPPs and what factors can be attributed to poor user group experiences.
5. Undertake a literature review of the cost and time performance of PPP projects compared to traditionally delivered public infrastructure projects and, combined with this study's own findings of service delivery and user experiences, assess VfM outcomes in the PPP delivery of social infrastructure. ***[It is anticipated that the primary time and cost data for the case study projects will be provided to the research team].***
6. Prepare a report of the research, including presenting findings and any recommendations for future PPP projects.

**The research is expected to make a new contribution to understanding the VfM proposition offered by the PPP model. The research will also use learnings from PPP operating performance to inform how we can enhance infrastructure service quality over the life of an asset.**

## Context of the research scope and PPP service delivery

From inception, a fundamental characteristic of the PPP model in Australia has been its commercial structure focussing on achieving defined service delivery outcomes through the appropriate allocation of risk and competition to deliver a service.

Conceptually, in the PPP model the capital asset is the enabler of the service outcomes that are measured and if successfully delivered are rewarded by government or users. The Australian PPPs in social infrastructure offer a particularly rich opportunity to assess the end user experience of the services delivered.

PPP projects have been operating in Australia for 25 years. This enables a thorough assessment to be undertaken of the user's experience with mature PPPs that are in a "normalised" operational stage. Moreover, if access to the right data is available, it will be possible to provide an analysis that allows user satisfaction with PPP assets to be compared to traditionally procured facilities.

Recently, some social infrastructure portfolio leaders have been critical of PPPs for being too rigid in their contractual outcomes and this may have had an impact on PPP take-up in new projects. This proposed research will investigate such concerns with user groups, seeking to identify the source of such issues and what factors can be attributed to positive, and poor, user group experiences. For example, the study may provide insight on how PPPs can accommodate for advancement in technology.

## Value-for-Money (VfM)

For participants in the PPP market, such criticisms associated with service and user experience outcomes could be outweighed by the number of PPPs that have been delivered on-time and on-budget; and operate successfully in meeting contracted KPIs.

Indeed, several iconic examples of public infrastructure through PPPs exist in the delivery of Victorian Comprehensive Cancer Centre, Wiri Prison, Gold Coast Light Rail and Sydney International Convention Exhibition and Entertainment Project.

The importance of public infrastructure procurement being able to achieve VfM remains a critical consideration in business case development and the prioritisation of projects across all jurisdictions.

Whilst the "money" in VfM is associated with project delivery being on-time and on-budget and operating successfully financially; "value" in VfM is associated with measures of service delivery outcomes and user experiences.

This study will not undertake original research into the cost and time performance of PPP projects compared to traditionally delivered public infrastructure projects, however, it will review available cost and time research.

In doing so, this proposed study will be able to consider cost and time outcomes with its own findings of service delivery outcomes and user experiences. In doing so, the study is expected to be able to make findings on VfM in the PPP delivery of social infrastructure.

## Research Methodology

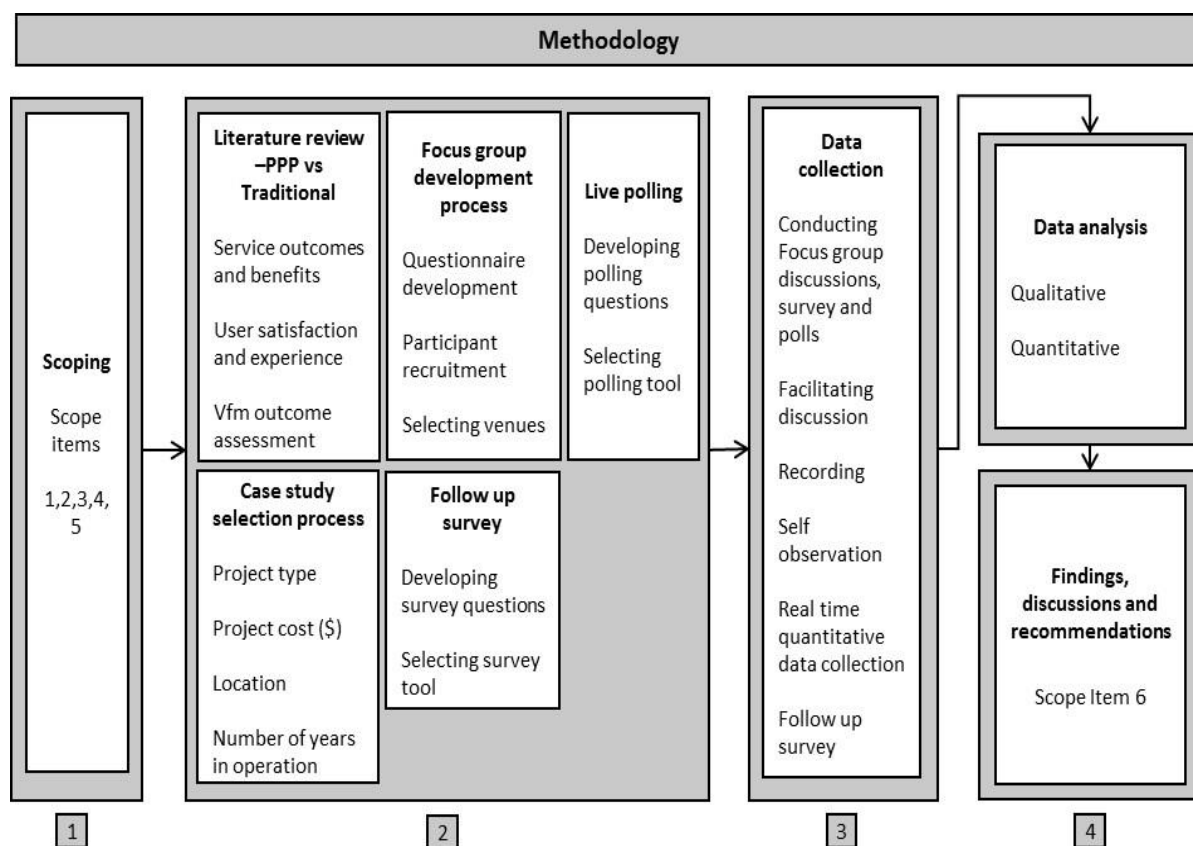


Figure 1: Research Methodology

Figure 1 proposes a four-phase research methodology. This proposed methodology will actively use mixed method data collection and analysis approach to achieve the desired research outcomes (project scope items 1-6). It is essential, to begin with, a systematic review of the literature on social PPP projects and comparable traditional projects. The literature review will be conducted on three key areas; Vfm outcome assessment including time and cost performance, service outcomes and benefits and user experience and satisfaction including identification of factors contributing to

the positive and negative user experience. A detailed review of literature will become the foundation for the focus group development process. This process will include developing questions for focus group discussion, recruiting focus group participants and selecting venues.

The case study selection process will include consideration on four criteria; project type, project cost (\$), location and number of years in operation. This selection process will ensure that this research includes key social PPP projects that are in mature operational phase across Australia. Early thoughts are to investigate schools, hospitals, prisons and a general category of social infrastructure projects.

Phase two of research methodology will include consideration on developing polling questions and selecting the appropriate polling tool for use during focus group discussion. Survey questions will also be developed during this phase which will be administered to participants once the focus group discussion is concluded to collect their feedback. Ethics approval will be sort from the University of Melbourne's ethics committee enabling the researchers to recruit participants and begin the data collection process.

Phase three of research methodology includes overall data collection process using focus group discussions, live polls and follow up survey. Focus group discussion will be recorded and transcribed for data analysis. Phase four of the research methodology includes a qualitative analysis to identify critical themes (factors contributing to positive/negative experience) and the quantitative analysis which will provide a spread of user's experience is positive or negative. Qualitative and quantitative findings from data analysis along will include discussion, and future recommendations will be prepared to meet the final project scope item 6.

Project scope items 1,3 and 4 will require primary data to be provided while scope items 2 and 5 will benefit significantly from the provision of media reports, contract documents, annual reports etc (i.e. secondary data sources) from contributions from participating organisations. Research participating members are expected to contribute in the provision of background materials, participation in workshops/ focus group meetings and follow up questionnaires. Further it is expected that the leading agencies whose projects are being investigated will organise and provide the venue for user group workshops.

## Governance of the research project

The research project will be sponsored and administered by Infrastructure Partnerships Australia, who will raise funding from industry and government partners. Infrastructure Partnerships Australia has established an advisory committee made up of state treasury officials.

About the research organisations:

- The University of Melbourne (with Professor Colin Duffield as its lead) takes responsibility for the research design, completion, analysis of data collected, report drafting and citation in conjunction with other academic colleagues.

- Drum Advisory (with Nick Tamburro as its lead) takes responsibility for the PPP subject related content, the efficacy of research and findings for the PPP model, working with University of Melbourne's researchers when interfacing with user groups and in drafting and finalising the report.



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