

The Challenging Climate for PPP's in New Zealand

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Penlink Business Case



Draft
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The Challenging Climate for PPP's

Ice Age



Challenging Climate for PPP's

ICE AGE ???

Tests:

No Government support for viable projects

- priority criteria with short term focus
- disregard for leverage opportunities
- fear of "profit" occurring with public monies in the mix

No Market support for viable projects

- fee driven vs value driven
- excessive risk pricing
- lack of flexibility



The Challenging Climate for PPP's

- Global Warming



Challenging Climate for PPP's

Global Warming

Tests:

Government support for viable projects

- funding priority criteria with long term focus
- recognition of leverage opportunities
- accepting value for money and profit sharing

Market support for viable projects

- value driven thru innovation and expertise
- using risk pricing experience to compete
- recognising uniqueness of NZ market and population base

The PPP Climate Challenges

- Key Decisions
- Timing and Sequencing
- Funding Issues
- Lessons Learnt

Key Decisions

Proof of concept study

- Risk analysis
 - cost risks
 - benefit realisation risks
 - funding realisation risks

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- Market test
 - IRR sufficient to attract private capital
 - alternative revenue streams
 - local government business case vs market business case

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- Risk analysis
 - cost risks
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- Market test
 - IRR sufficient to attract private capital
 - alternative revenue streams
 - local government business case vs market business case
- Political test
 - committed political champion(s)
 - Project sponsor(s) – officials
 - committed communications program -stakeholders and communities

Timelines and Sequencing

Proof of Concept

Market Test

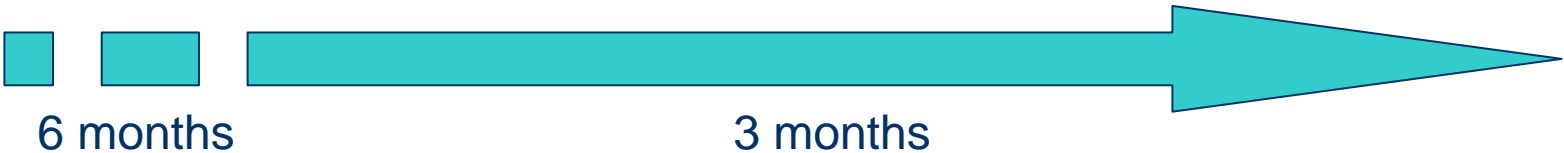
Political Test



Timelines and Sequencing

Revenue Consultation LTCCP

Revenue Strategy Consultation



Timelines and Sequencing

Draft Business Case

Education Sessions

Funding Application

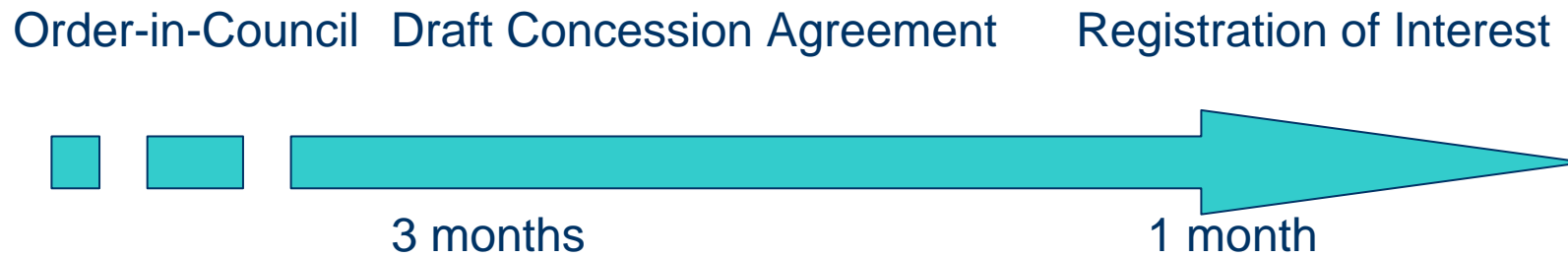


3 months

3 months

2 months

Timelines and Sequencing



Timelines and Sequencing

Expressions of Interest

Tender Process

Selection/Close



4 -6 months

2 months

Funding Issues

Long term assets and intergenerational equity

Sources

- Committed Cash
- Rates
- Targeted rates
- Development contributions – RMA vs LTMA vs contractual
- Consumption charges (tolls, shadow tolls, meters, Mb)
- Availability charges
- Equity grants and participation
- “Profits” and profit sharing

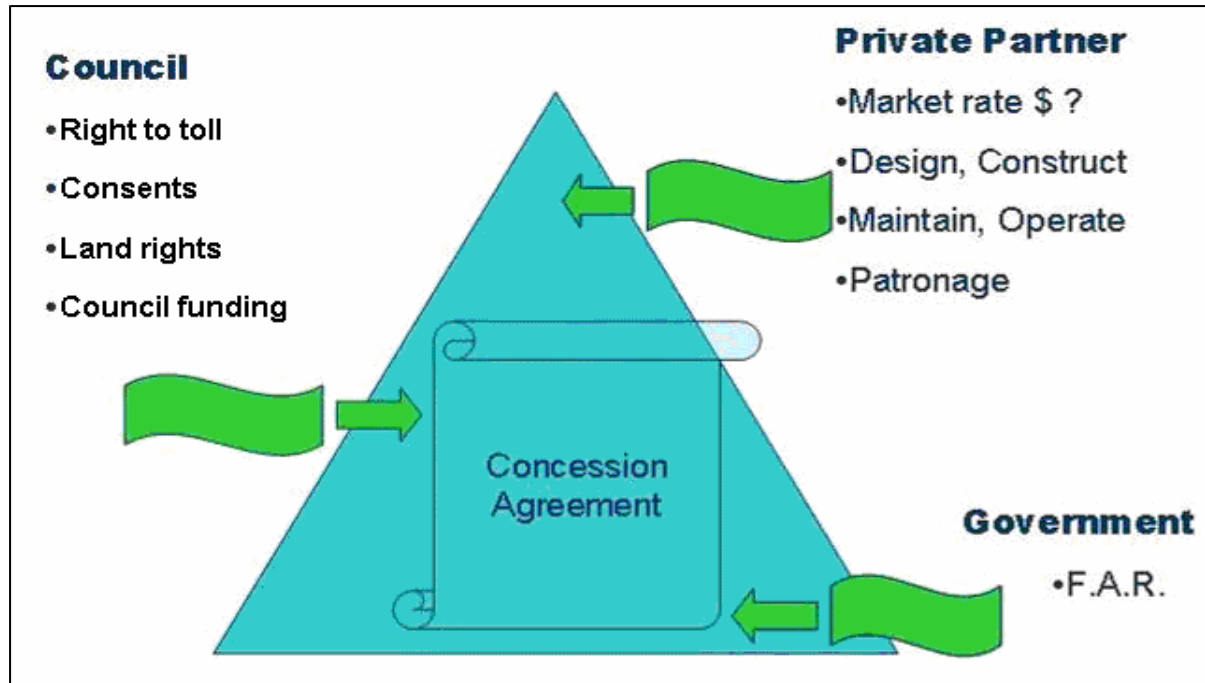
Funding Issues

User fees

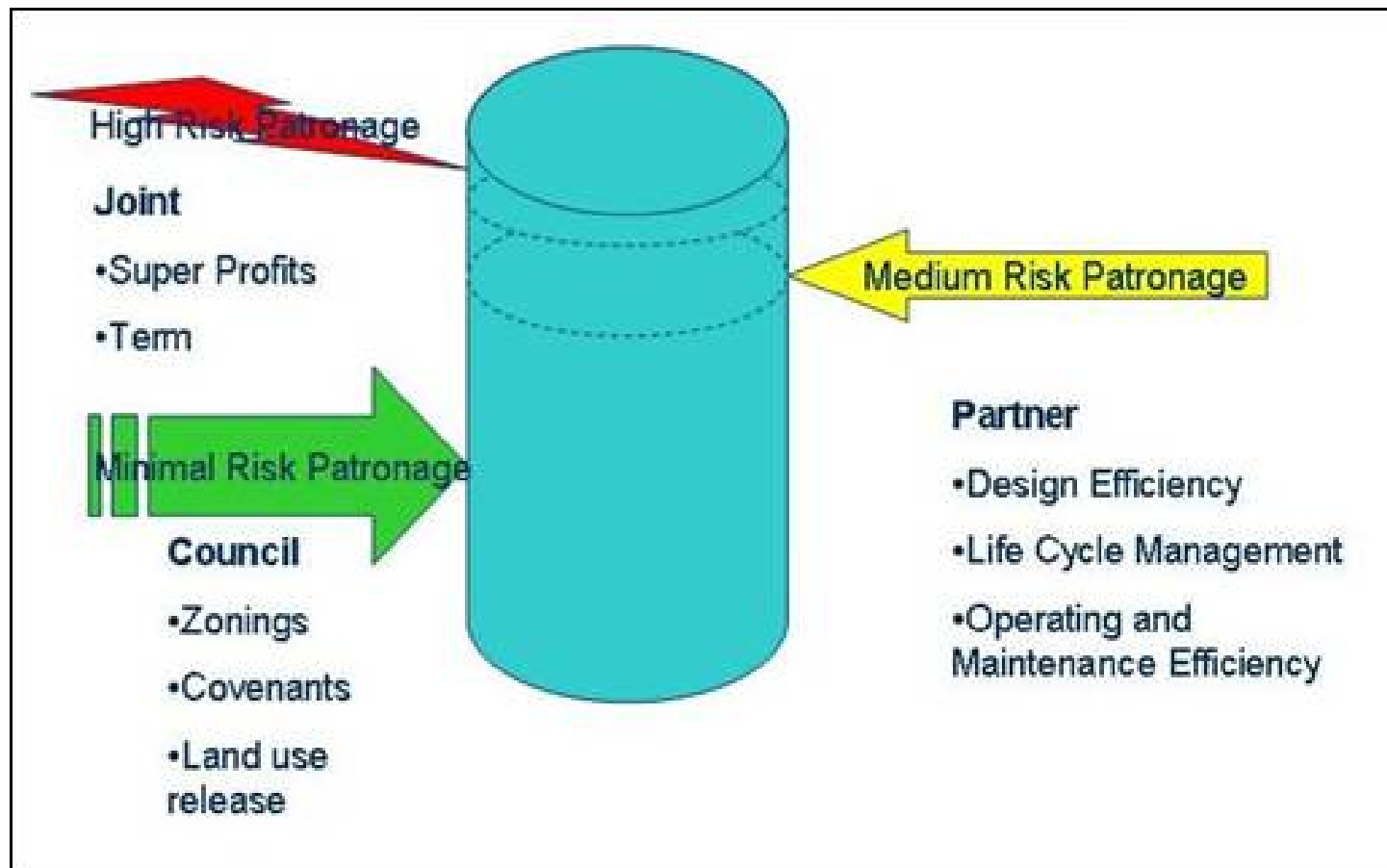
- consistency of modeling
- peer reviews – local model vs market model
- value for money

- elasticity of revenue curves and net revenue
- capacity issues and levels of service
- material adverse effects

Basis of NZ Concession Arrangement



Patronage and User Risk



Lessons Learnt

- Funding Risk Tests
- Market Case and your B/C Ratio
- Publishing Timelines
- Education Sessions
- Accountability

Questions ? ? ?

