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INCLUDING INTERNATIONAL BUSINESS LEADS

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CARILLION'S DEMISE PUTS PPP ON PROBATION

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THE HYDRA

Discussing the PPP industry with anyone engaged in the market in the UK at the moment almost inevitably leads back to one topic: Carillion. Almost everyone involved in the UK market is in some way dealing with the fallout of the support services giant's collapse. And how it is handled will have ramifications and reverberations that will be felt for years to come.

That is why we have dedicated so much of this issue to the topic. Specifically, what makes the Carillion position so important is the political context in which the drama is being played out, and how the industry responds will be crucial to the future of the PPP industry both in the UK and, potentially, much further afield.

After all, the UK is still held up by many countries as the leading light of the PPP world. The collapse of Carillion has already led to questions being raised in other countries about their exposure to the company, but also what this means about the use of private sector companies to carry out public infrastructure projects more broadly. Inevitably, perhaps, Carillion is leading the industry into a debate around the way infrastructure is procured.

In the UK, this has led many in the industry to conclude that the PPP market is now at its lowest ebb. Predictions that Carillion will be the final nail in the PFI coffin abound.

And they may be accurate, in the narrow sense at least. After all, 'PFI' is now so toxic that mere mention of the word tends to bring out the Corbynista in most people on the street. But a survey in the wake of Carillion's collapse found the majority of ordinary people still favoured the concept of privately financed public services.

There are at least some signs that the government is not ready to abandon privately financed infrastructure projects altogether. In its response to the Naylor review into the health estate, the UK government sought to draw a distinction between the 'bad' PFI on the one hand, and other forms of procurement such as 'PF2' and the more generic 'PPP' on the other.

If concepts such as these are allowed to fly, the private sector will have to play its part in cleaning up Carillion's mess. Failure to do so will not only turn more politicians and mainstream media outlets against the model, it will also potentially undermine practitioners' efforts to develop the model around the world.

As we show in this issue, the UK's approach to PPP is increasingly at odds with that of the rest of the world. Maybe it's the pernicious insularity of the all-consuming Brexit discussions, but if the media and political classes simply looked beyond the UK's shores, they would see a world opening up to new forms of private finance. We showcase some of those in this issue, from Spain returning to the model, to the Herston Quarter programme in Brisbane, Australia.

Handling Carillion properly – and being seen to do so – will have a large bearing not only on the future of PPP in the UK, but also on proponents' ability to market their experiences abroad, as more countries become increasingly sophisticated in their own approach to partnering with the private sector. PB

Partnerships Bulletin

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ALSO IN THIS ISSUE:

UNITED KINGDOM

Carillion: Industry wants procurement changes

A *Partnerships Bulletin* roundtable event revealed that many in the infrastructure finance community believe now is the time to make significant changes to the way the public sector procures projects to prevent similar problems as those faced by Carillion.

Participants suggested there had been a race to the bottom on price, and that this culture needs to change within public authorities to look more broadly at both operational costs and the quality of the bid, rather than simply focusing on the capital price. While the Infrastructure and Projects Authority is currently reviewing the PF2 model, it has been urged to undertake a wider review into the way projects are awarded.

Meanwhile, Carillion's investors were "fleeing for the hills" in the months before the company went into liquidation, the Commons work and pensions committee chair has said.

Speaking as the committee, alongside the business, energy and industrial strategy (BEIS) committee, published the views of Carillion's major shareholders, Frank Field argued there was a "disconnect" between the evidence provided by the firm's directors and the view of investors.

Kiltearn Partners, which held a 10% stake in Carillion, said it was considering legal action against the support services firm and would have pursued that avenue had the company not gone into liquidation. Standard Life Aberdeen said it "felt that the management was not giving sufficient weight to the probability that trading may deteriorate further or to the downside risk from this scenario given the high level of debt. The board showed no inclination to drive the management to change."

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Network Rail to release pipeline

Network Rail is preparing to publish a pipeline of opportunities for alternative funding and delivery models.

The organisation told *Partnerships Bulletin* in February that it should be giving an announcement on the pipeline "in the next month or so".

In August Network Rail announced it would create a pipeline of opportunities for alternative funding and delivery models by the end of 2017, following the Hansford Review. However, that has not yet materialised and was not included in February's publication of its strategic business plan for Control Period 6 (2019-24).

It was also revealed in February that chief executive Mark Carne will leave Network Rail this summer.

"I planned the timing of my announcement so there was stability while we developed the business plan for the next five year regulatory period, but so that there will also enough time for my successor to be firmly in place when it starts," he said.

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PPP league tables to be revealed

Success in the global PPP market is to be showcased in the inaugural Projects Bulletin League Tables due to be released in March.

The 2018 Projects Bulletin League Tables will be published to mark the launch of the new PPP project database: Projects Bulletin.

These League Tables will rank companies by how many PPP projects they have successfully navigated to financial close in the previous 12 months.

Projects Bulletin will provide business leads and track the activity of the infrastructure delivery and investment sector in the global PPP market and is populated by the team at *Partnerships Bulletin* and *P3 Bulletin*.

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Birmingham to scrap FM for school PFIs

Birmingham City Council has backed proposals to remove facilities management services from seven school PFIs under the Building Schools for the Future (BSF) scheme.

The council said Birmingham Lend Lease Partnership and Amber Investments, on behalf of BSF Schools and Academies, supported the proposal to cut costs, as part of the city council's Financial Plan 2017+.

"All [affected schools] are supportive and would prefer to end current FM arrangements and take back direct responsibility of FM, and fully understand the implications and requirement to manage this activity within their respective delegated budgets," the council said.

The option to terminate FM services, up to 25 years and subject to annual increases, is only open to those schools in the BSF regime that are under a design-build contract.

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BUSINESS NEWS

Balfour sells further M25 stake

Contractor Balfour Beatty has sold a further 5% stake in the company that operates the M25 PFI project to funds managed by Equitix Investment Management for £42m. Balfour said the deal would create a profit of £22m. The sale is the third in just under three months, after the company began the sell-off with 7.5% and then 12.5% stakes being divested. Balfour has now disposed of 25% of the Connect Plus consortium, equally split between Equitix and Dalmore Capital.

Capita announces major shake-up

Capita has suspended dividend payments as it prepares to enact a "prudent" restructuring plan to simplify its businesses, amid warnings of a "significant impact" on 2018 profits. It plans to raise up to £700m through a rights issue and will begin selling non-core activities such as ParkingEye and Constructionline. Jonathan Lewis, CEO since December, said Capita is "too complex" and driven by "a short-term focus". He added: "We have also taken the significant decision to suspend the dividend and seek equity."

Corbyn: No cost for public ownership

Labour leader Jeremy Corbyn *(pictured)* has said there would be no net cost for the taxpayer if privately run services such as water and transport came under public ownership.

In his speech to Labour's Alternative Models of Ownership conference, Corbyn reiterated the party's pledge to bring energy, rail, water, and mail into public ownership, arguing that this was not a return to the 20th century model of nationalisation but a catapult into 21st century public ownership.

He claimed: "The case for public ownership is so clear and so popular and we've demonstrated how it's an investment with no net cost for the taxpayer."

Meanwhile, the Unison union called on the government to introduce a 'windfall tax' on PFI profits, as it backed Stella Creasy's amendment to the finance bill. That amendment was voted down by the government benches.

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MPs to probe East Coast Partnership plan

The Commons transport committee is to consider the feasibility of the government's plans to create a PPP arrangement for the East Coast rail franchise.

The MPs are to hold an inquiry into the franchise, covering a whole range of areas including the government's recent decision to end the current deal early and the reasons for its failure.

However, it has also pledged to probe the Department for Transport's proposal to create the East Coast Partnership from 2020, which will see the private partner run both the rolling stock and the track infrastructure.

In the proposals, Transport Secretary Chris Grayling said: "We will also bring more private sector finance, funding and expertise on board to help provide capacity for the future."

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A303 consultation launched

Highways England has released the consultation on the proposed tunnel under Stonehenge and published the initial designs. The agency aims to submit a development consent order for the scheme by the end of the year.

However, publication of the plan has highlighted the likely controversy that the initiative – which is currently planned to be delivered using private finance – will court.

English Heritage, the National Trust and Historic England are all broadly in favour of the plan, on the grounds that the tunnel will help protect the ancient monument at Stonehenge from harmful traffic pollution. However, they have already raised concerns about part of the scheme, which would see a new overground route established, which could allow traffic to remain near the site.

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IPA chief urges outcome focus

The head of the Infrastructure and Projects Authority (IPA) has said the public sector needs to increase its focus on outcomes in the delivery of major projects across government.

Speaking at the Transforming Together conference, IPA chief executive Tony Meggs said that there is all too often a focus within government on "cost and schedule", to the detriment of the outcome of major projects.

"While cost and schedule are important, it's the outcome that really matters," he added. "Transformation projects can take an indirect path as they change and evolve. So we need a North Star to guide us. And that is the outcome of what you are trying to achieve."

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Quotes

"PPPs can play a very important role in the delivery of public capital investment projects"

Ireland's National Development Plan sees plenty of PPP opportunities over the next decade

"I will leave knowing that the railway is in good hands"

Mark Carne reveals he is to retire as chief executive of Network Rail this summer

"The people who built a giant company on sand in a desperate dash for cash"

Frank Field and Rachel Reeves, joint chairs of the Commons inquiry into Carillion's collapse, say where they think blame for the firm's demise lies

"One Carillion does not mean that every single public-private partnership has been bad for the country"

Chief Secretary Liz Truss defends the PPP model

DWF boosts Middle East offering

UK law firm DWF is to launch new ventures in Turkey and in the Gulf region through an exclusive tie-up with Özkan Law, an Istanbul-based law firm with expertise in corporate and M&A, intellectual property, project finance and litigation. Andrew Leaitherland, managing partner and CEO of DWF, said: "At the crossroads of Europe and the Middle East, Turkey presents promising immediate and long-term opportunities." DWF has also added construction specialist John Coghlan as a partner from Addleshaw Goddard in Qatar.

Hike in profit for Transurban

Toll road operator Transurban has seen an upsurge in half-year profit, with an $11bn development pipeline across all regions. Profit for the six months to December rose 280% to $331m, in part thanks to the West Gate Tunnel Project in Victoria reaching contractual close. Total revenue rose 22% to $1.62bn. Transurban also announced that Vin Vassallo will take over as development group executive, Wes Ballantine becomes Victoria and strategy group executive and Sue Johnson will be responsible for Queensland.

UNITED KINGDOM

Newcastle housing project awarded

Tolent Construction has won the £18.5m contract to design, build and finance 148 homes across five sites under the innovative annuity lease back model in Newcastle.

At the end of the 40-year concession, ownership will return to the council.

Newcastle City Council tendered the contract in February last year and the initiative will see the authority lease the properties through an annuity lease back model, with the private partner profiting from leasing the properties back to the authority.

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Haringey postpones HDV decision

The London Borough of Haringey will not make a final decision on the Haringey Development Vehicle (HDV) until after the local elections.

The council has welcomed the Royal Court of Justice's judgement refusing a claim for judicial review on all grounds, adding: "Establishing the HDV remains the council's agreed approach to providing much needed homes and jobs on its own land and Lendlease remains the council's preferred partner."

However, the council concluded: "We are still working on the basis that the final decision to establish the HDV will be taken by a future administration."

Council leader Claire Kober has said she will not stand for re-election in May, and therefore will not take the final decision on the plans to enter a 50-50 joint venture with Lendlease.

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Contingency plans in place for Interserve

Parliamentary Under Secretary of State at the Ministry of Justice (MoJ) Lucy Frazer has confirmed that the department has in place a number of arrangements to ensure the effective management of contracts in the event of a potential collapse of Interserve.

Frazer said: "Contingency plans are prepared in line with good contract management and standard industry practice. These are commercially sensitive and, as such, are not subject to release."

The MoJ created a publicly owned facilities management company to take on the work of defunct private provider Carillion in January.

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Market sounding for Bedfordshire regen

Central Bedfordshire Council is to conduct a market consultation for a scheme comprising a mix of uses including residential, retail, car parking and a Transport Interchange at Flitwick Station. Concept proposals indicate potential to deliver a minimum of 140 residential units and 350 parking spaces.

Under the plans, the council wishes to maximise the development potential of the site and intends to deliver this scheme as part of a development partnership.

The authority will consult with the market on the extent, type and scope of this partnership and a contract notice is to be issued at the end of April.

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London mayor outlines regeneration ballots

London mayor Sadiq Khan has unveiled new plans that would require residents to vote in favour of regeneration projects before any money would be provided from the capital's authority.

The Better Homes for Local People good practice guide is designed to use the mayor's limited funding and planning powers to protect social housing and "give its residents a voice in the capital".

"We need more social housing in London, not less, which is why I will use all my powers to make sure that any plans for estate regeneration protect existing social housing and take every opportunity to build more," said Khan.

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Wates agrees Homes England deal

Housing developer Wates Residential has agreed a deal with Homes England to develop 200 new homes under the housing agency's Accelerated Construction programme.

Wates will deliver the Daedalus Waterfront in Lee-on-Solent, investing £25m into regenerating the site and providing 120 private homes and 80 affordable homes.

It is the first scheme to be delivered under Homes England's new Accelerated Construction programme, which sees the organisation enter into partnerships with developers to deliver new homes.

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EUROPE

Ireland backs PPP for major projects

The Irish government has launched the National Development Plan setting out infrastructure investment in Ireland for the next 10 years.

Project Ireland 2040 said that the government's PPP review had concluded that the model "can play a very important role in the delivery of public capital investment projects contained in the National Development Plan".

It added: "All large-scale projects included in the new National Development Plan should, therefore, continue to be assessed in terms of suitability for procurement by PPP and/or alternative financing."

Fergal O'Brien, director of policy and public affairs at business lobby group Ibec, welcomed the launch of the programme and the government's commitment to the use of PPPs.

However, John Hanley, senior director at Nord/LB, warned: "It is hard at this early stage to quantify exactly where and how PPPs might be deployed in support of the NDP more broadly."

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FC for German road PPP

Financial close has been reached on the A10 / A24 Neuruppin to Pankow highway PPP in Germany.

The consortium of Bam PGGM (70%) and Habau (30%) has agreed to design, build, finance, maintain and operate the project for 30 years.

The financing structure is a long-term bond funding including institutional investors. In addition the European Investment Bank will provide its Structured Finance Facility.

The funders involved are BayernLB, DekaBank, DZ Bank, European Investment Bank, Rabobank and Tecta.

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Advisers selected for Irish rail project

National Transport Authority and Transport Infrastructure Ireland have awarded the engineering design services contract for the New Metro North Project to a joint venture of Jacobs and IDOM.

The joint venture will prepare a construction procurement strategy, develop tender documents, and manage various tender processes required for the delivery of the project.

A contract notice was issued in August, when five bids were received.

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Verona: scene of an infrastructure uprising

Czech road PPP to launch

The Czech Ministry of Transport, in cooperation with the State Fund for Transport Infrastructure, is to launch the prior information notice between February and March for the D4 motorway PPP, followed by a tender in April.

A spokesperson for the ministry said that 98 firms, of which 19 were from the Czech Republic and 79 were from abroad, attended a special event on 12 February.

Under the plans, a partner will design, build, finance, operate and maintain 32km between Příbram and Písek for the greenfield component of the project, with the operation and maintenance of 16km for the brownfield part. The ministry is considering the involvement of the European Investment Bank.

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Italy 'needs infra review'

Executives from some of Italy's largest conglomerates have called for a "stable and foreseeable regulatory framework" to promote infrastructure investment across the country.

Salini Impregilo CEO Pietro Salini, Enel chairwoman Maria Patrizia Grieco and Confindustria president Vincenzo Boccia made the case for better time frames for the delivery of infrastructure at the 24th Assiom Forex Congress in Verona.

"As an entrepreneur, I hope for a regulatory system that serves project delivery purposes," Salini said.

Boccia attacked "scarce Italian sensibility on the required time frames to implement public infrastructure".

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Spain sets road acquisition date

Rescue plans for nine bankrupt road projects were due to begin on 21 February. It will start with the Radial 4 (Madrid–Ocaña) project, which was originally overseen by Ferrovial, Sacyr and Liberbank.

Minister of Public Works (Fomento), Íñigo de la Serna, also confirmed that in March the government will start the acquisition of Madrid's R-3, R-5 and R-2, the M-12, which connects Madrid with Barajas airport, and the AP-36 Ocaña-La Roda.

On 1 April, proceedings will continue with the road Cartagena-Vera and the bypass of Alicante. The AP-41 in Madrid will be the last road to be acquired as the contract hasn't reached liquidation yet.

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ASIA

$65bn

CIMIC's estimated value of PPP pipeline in 2018

WA to establish infrastructure body

Western Australia is seeking feedback on the proposal to establish an independent body to provide expert advice to the premier and government on infrastructure needs and priorities.

Under the plans for Infrastructure WA, to be finalised later this year, the government seeks to improve infrastructure planning and decision-making and "a better environment for private sector investment".

Stakeholder forums have already been held and the public consultation is scheduled to close on 20 March.

Premier Mark McGowan said: "There is a strong need for a co-ordinated, long-term vision to build the infrastructure we need in the right place and at the right time."

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CIMIC sees $65bn PPP pipeline

Publishing its results for 2017, Australian firm CIMIC revealed profit after tax of $702m, up 21% on the previous year, while revenue increased 24% to $13.4bn.

In its forecast for 2018, the company said it expects profits to be in the range of $720-780m, driven in part by a healthy PPP pipeline.

It said there are "at least $110bn of tenders relevant to CIMIC Group" that are to be bid or awarded in 2018, including $65bn-worth of PPP projects.

Executive chairman Marcelino Fernandez Verdes said that the firm's focus includes further developing its presence in the PPP market.

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EoI for NZ archive project

The Department of Internal Affairs has sought expressions of interest to upgrade and expand the Archives New Zealand and the National Library of New Zealand to provide fit-for-purpose facilities for the storage of physical documentary heritage.

Proposals are sought to provide long-term access to a new purpose-built facility in Wellington through the provision of land, design and build, finance, maintenance and subsequent lease.

The department is willing to consider alternative contractual models, provided they deliver long-term access to a new purpose-built facility in Wellington. Responses are due by 5 March.

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Bangladesh tenders water PPP

The public authority for urban development, Rajuk, is seeking private companies to deliver a water project in a new planned township.

Under a PPP scheme, the contract involves the development of water distribution and supply facilities at the Purbachal New Town, a new planned township near Dhaka.

Works will involve development and installation of water supply, sewerage, drainage system and solid waste management system. Companies interested have until 16 April to submit proposals.

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Consultant selected for Thai rail scheme

French engineering firm Egis will join local partner Team Consult to provide design review services and manufacturing supervision for the Pink Line Monorail project in Thailand under a three year contract.

With an estimated value of €1.3bn, the Mass Rapid Transit Authority awarded the PPP contract to the BRS joint venture, including BTS Group, Sino-Thai Engineering & Construction and Ratchaburi Electricity Generating Holding.

The consortium will build, operate and maintain the 34.5km line between the north-western province of Nonthaburi and Bangkok.

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MIDDLE-EAST & AFRICA

Niger Delta to embrace PPP model

The Niger Delta Development Commission (NDDC) is to step up the adoption of the PPP model for infrastructure development across the region.

Managing director Nsima Ekere suggested the model, already selected for the Niger Delta Regional Power Pool Project, would also be rolled out for industrial parks.

"We have identified industrial parks in different parts of the region and we intend to support them with the power project," he said. Ekere added that the NDDC would work to set up a Niger Delta Development Bank.

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Tender due for Saudi schools project

The Ministry of Education of Saudi Arabia is to issue a request for qualifications (RFQ) for its recently announced schools PPP.

A spokesperson for Tatweer Buildings Company (TBC), the procuring authority, said that the RFQ for the Schools Infrastructure PPP Development Programme - Wave 1 would be released in the first quarter of 2018, adding that the government had "received a healthy response from the private sector" following the expressions of interest phase.

The ministry issued a request for expressions of interest earlier this year, seeking partners to design, build, finance, maintain and transfer 60 schools, comprising kindergartens, elementary, intermediate and secondary schools.

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PPP consultants sought for Uganda

The World Bank is seeking firms to undertake analysis for investors in Uganda after the bank's country manager criticised the government's infrastructure plans.

The multilateral has sought expressions of interest to undertake analysis of the operating environment.

Meanwhile, Christina Malmberg Calvo, the World Bank's country manager, criticised how the government is procuring infrastructure. "Why do projects suddenly appear yet they have inadequate justification?" she asked.

"Contracting procedures based on poor feasibility studies coupled with inadequate supervision lead to large cost overruns and poor quality work. That's not good value for taxpayer's money and certainly not the kind of debt anyone would like their children to repay."

partnershipsbulletin.com/news/view/135486

300,000m^3

Daily capacity of Al Ghubrah III desalination plant

Oman desal plant tendered

The Oman Power and Water Procurement Company has issued a request for qualifications for the development of a water desalination plant.

Bids for the Al Ghubrah III independent water project, which will have a capacity of 300,000m3 per day, are due by 18 March 2018.

Spanish conglomerate Ferrovial holds a 20-year concession to design, build, operate, maintain and finance a reverse osmosis desalination plant which opened in 2015 in Al Ghubrah, a suburb of Muscat *(pictured)*.

partnershipsbulletin.com/news/view/135226

Turner & Townsend adds Kenya firm

Technical adviser Turner & Townsend has acquired Mentor Management Limited (MML), having acquired a majority stake in the Nairobi-based firm from investor Actis.

MML Turner & Townsend, as the new entity will be known, will operate across the real estate, infrastructure and natural resource industries.

"The merger of our Kenya operation with MML sees MML Turner & Townsend become the largest independent project and programme management company in East Africa," said Vincent Clancy, Turner & Townsend chairman and chief executive.

partnershipsbulletin.com/news/view/135117

PEOPLE NEWS

Paul O'Kane

Ravi Suri has been named KPMG's new global head of infrastructure finance. A partner in the Lower Gulf region (covering United Arab Emirates and Oman), Suri will be focused on driving KPMG's specialist public-private infrastructure investment team, with significant opportunities emerging in the Gulf region in particular. He joins KPMG from Standard Chartered bank, where he was global head of project and export finance. He has previously worked for GE Capital and ABN Amro. His appointment follows that of Richard Threlfall to global head of infrastructure in December last year.

Bam PPP has appointed former Hochtief PPP Solutions commercial director **Tim Hesketh** as its new managing director for its UK and Ireland arm. The appointment takes effect from 3 April this year and sees Hesketh replace Robert Young, who took early retirement at the end of last year. Hesketh has over 30 years' experience in the construction industry, half of which has been spent within the PPP market.

Law firm Addleshaw Goddard has brought in **Paul O'Kane** and **Paul Barge** as partners in its North West construction team, along with six construction and engineering associates all from DWF. O'Kane was the national head of construction at DWF and has particular expertise in procurement strategy and project structures, development, complex construction, PFI and PPP disputes, as well as adjudication and arbitration. He will start work at Addleshaws in the autumn. Meanwhile Barge, who oversaw construction contracts, engineering contracts, construction disputes and engineering disputes while at DWF, will join in June.

Peter Mumford has become Highways England's permanent executive director for major projects and capital portfolio management. He was originally given the role on an interim basis in August last year, arriving from HKA where he was vice president. Prior to that Mumford held senior positions with Aecom, EC Harris and Turner & Townsend.

KINGDOM BUILDING

Saudi Arabia has made a positive start to 2018, but issues still remain that will raise questions for international investors

At the end of last year, Saudi Arabia published its largest ever Budget and focused the majority of its planned investments into infrastructure.

Within a month, the kingdom had started to tender the first PPP projects that will form the backbone of that $261bn proposal. First came a tender for 60 new schools in Jeddah and Makkah, led by the state-owned Tatweer Buildings Company, which manages projects on behalf of the government.

Then, just a few weeks later at the end of January, Transport Minister Nabeel al-Amudi revealed that the PPP model has been brought back to the table for the Landbridge Project. In an interview with CNBC at the World Economic Forum in Davos, the minister was keen to tout the country's transport plans as having major potential for PPP investors around the world.

Craig MacDougall, director at engineering firm Aecom, sees great potential in the country. "Aecom is looking across sectors at the moment within the kingdom. We can see the large infrastructure works that we're working on in Jeddah and Riyadh being followed by work in the education and healthcare sectors and are looking closely at these.

"The recent expansionary Budget stated infrastructure spending at around $261bn for 2018, which shows how serious the kingdom is about modernising and investment."

"It is probably the fastest growth market in the world at the moment," adds one financial adviser.

That growth shows no sign of slowing, given that Economy Minister Mohammad al-Tuwaijri announced at the Budget speech that the government would "keep issuing legislation" throughout 2018 that will "support the private sector". It is anticipated that this will be focused on new opportunities in the transport sector, in particular.

What that new legislative regime will look like is still taking shape, but experts suggest it will not be a simple case of imposing a PFI-style regime on the country. "They are looking at a more nimble concession model rather than a strict PFI," explains Christopher Cross, partner at law firm Hogan Lovells.

However, while the country is seen as having great potential, plenty of hurdles remain – particularly for international investors. Experts warn that while the opportunities may look good, investors may need to treat them with caution.

Corruption has long been one of the key reasons for investors shying away from the Middle East as a whole, and there are concerns in some quarters that this has not changed. Despite the recent efforts by Saudi's new crown prince *(pictured)* to arrest several members of his own royal family, in an apparent bid to clampdown on corrupt practices, such a swift change has left some feeling sceptical.

"There are lots of changes coming through, but what will that mean?" asks the financial adviser. "The Saudi Royal family is trying to make the country more open – although it will not accept any dissent against the ruling authorities."

Cross is more upbeat. "People in the country are very confident about the projects coming to market and closing, and part of that is because of the anti-corruption campaign that has been driven by the crown prince."

While some are sceptical over whether these moves are genuinely about tackling corruption or more about the new leader consolidating his power base under the guise of a clampdown on underhand financial practices, Cross is hopeful it is the former.

"There was [initially] concern because no-one knew what was happening," he says. "But the moves have been hugely popular in Saudi Arabia and that has brought confidence. The mood compared to even a few months ago is so much more positive."

Furthermore, Cross believes that the change in approach brought about by the new leader is having a positive impact on the country as a whole. "Social change is allowing people to embrace concepts like PPP, which previously they may have thought of as too difficult," he says.

Another potential hurdle is the longstanding perception that Middle Eastern governments "don't pay well", as one puts it. Indeed, the problems encountered by Carillion were in part down to issues in the Middle East.

One adviser admits that payment can be "difficult", but also points out that this is becoming an issue on deals around the globe, suggesting that Saudi Arabia and the Middle East is not such an outlier anymore.

Changing those perceptions and giving the private sector comfort that it can act as a safe and reputable client will be vital if the Saudi Arabian government is to turn the current interest in its infrastructure pipeline into real investment.

There should certainly be no lack of ability in helping the Saudi government in this process, however. Plenty of UK-based companies, with long history and experience in the PPP market, are likely to be welcomed in the country, with several advisers from the UK now already active there. As the financial adviser puts it: "Saudi Arabia looks to the UK as a benchmark for the practice of PPP." PB

DRIED UP

As the water runs out in Cape Town, we ask what can be done to stop this problem hitting other urban areas around the world

After months without rain, the water reserves in Cape Town have all but run out, with emergency plans put in place that will see residents queuing at water collection points every day. The local government has told *Partnerships Bulletin* that predictions point to 4 June as 'day zero', when the city will finally close off the water supply network and implement water collection points for all residents. However, the city is working to avoid this situation.

"The city is aggressively campaigning for residents to reduce their water consumption to 50 litres per day. If every resident complies with this usage restriction the implementation of water collection points can still be avoided this summer," says alderman Ian Neilson, executive deputy mayor of Cape Town.

The city is also working on a number of water augmentation projects to increase resilience to drought, including a variety of groundwater abstraction and seawater desalination schemes. This includes projects which deploy both the rental of modular plants to provide a buffer in the short term, and construction of larger permanent facilities. A facility to treat wastewater to drinking standards will also be implemented.

"Our goal in the short term is to have 16 megalitres per day [ML/day] desalination capacity up and running over the course of the next two months. All projects will be procured in partnership with the private sector although the type of contract will differ from project to project," says Neilson.

Significant pre-planning is also underway to allow for fast-tracked implementation of larger-scale schemes that will look to ensure future water supply in the medium and long term.

First, the city is working to ramp up alternative water supply to 170ML/day before winter 2019 from aquifer abstraction, but will include desalination and water reclamation components. This, together with water restrictions, will help restore water in reservoirs and buffer against further drought after 2020.

In the longer term, the city expects that a combination of increased water infrastructure plus the return of normal rainfall will allow its reservoirs to recover. However, the abstraction of groundwater is expected to continue as well as large-scale permanent desalination plants and water reclamation plants. The city, though, says it cannot rule out further water shortages in the future.

The question for many is why was Cape Town so woefully unprepared for this situation?

Chris Dalgliesh, partner and principal environmental scientist at SRK Consulting in South Africa, explains that it is difficult for decision-makers to make firm plans in response to a crisis like this. On one hand, the droughts were foreseeable, but on the other, their intensity was not predictable.

Regarding the city's response, Dalgliesh explains that in this case the city needed to analyse all the options such as aquifers, dams and groundwater, as well as desalination and recycling. So the decision-making process is not as simple as just constructing a large desalination plant: that decision would need a prior cost-benefit analysis.

One source points to Melbourne in Australia, which came close to similar levels of drought over a decade ago. As part of its long-term response, it built a desalination plant that immediately went into standby mode in 2012 and was unused for five years. The question here is whether authorities can justify an insurance policy such as this to its constituents before a major, prolonged drought hits.

Dalgliesh recognises that the response was slower than it should have been in Cape Town, as a result of some difficulties in the coordination process between different levels of government.

"The Department of Water and Sanitation has certain responsibilities, as do the province and the city itself; but sometimes these roles do not fit seamlessly into each other – especially in a time of emergency when decisions need to be made more quickly. All the main players could have reacted more quickly and with better coordination, though it is not as simple as many observers seem to think," explains Dalgliesh.

What would be the best infrastructure option for this water crisis? Experts say that desalination plants are part of the solution, within a mix of water provision subject to a cost-benefit assessment of options such as groundwater extraction.

"There is plenty of knowledge about the groundwater resources in the Western Cape – based on the technical work that SRK and others have already done – but any decision on how we use those resources needs to be weighed up against the available finances and the other options," says Dalgleish.

Small industries, schools and hospitals have already expressed their desire to secure their own water supply mostly from groundwater, which is generally the most cost-effective and manageable option for them.

Experts also highlight opportunities to recycle water from wastewater treatment plants rather than constructing large dams, which are ecologically no longer a real option for Cape Town.

"While there is a suggestion that the current situation is the 'new normal', it is not really sustainable; a long-term solution definitely needs to be found if Cape Town wants to continue attracting investors, skilled professionals, tourists and the various other groups that make this such a vibrant city," concludes Dalgliesh. PB

FINANCE WATCH

IAN MACFARLANE DIRECTOR – JCRA

We are barely two months into the year and Bank of England governor Mark Carney is already providing his valuable guidance on interest rates to combat high inflation. Recent CPI numbers did not deliver the fall that was expected, instead staying at 3% for the second month in a row. Base rates are widely expected to rise to 0.75% in May with a potential further increase later in the year.

However, it seems that this guidance also takes into account a potential pickup in growth, which I suggest we are yet to see solid evidence of. A decade of low interest rates have created significant debt obligations for many with wage inflation being offset by a higher cost of living leaving households without the benefit of rising real income.

It was not very long ago that Carney was emphasising that any future increase in rates would be measured and would need to be qualified against economic performance.

A kneejerk reaction to high inflation by putting up rates too soon could backfire if it slows the economy and puts it back into recession. Inflation has been principally driven up by the weak pound and while the currency has in fact remained reasonably steady over the past year, there are cracks appearing that may suggest the pound could weaken further, especially versus the euro.

Combined with the limited progress in the ongoing Brexit negotiations, it would be easy to argue that a rate rise in the near future could indeed be controversial. We will have to wait and see.

The big infrastructure story so far this year in the UK is the collapse of the construction company Carillion. Carillion is a very familiar name in the PFI world and its liquidation due to material financial problems will have a knock-on effect to a wide range of projects, contractors, joint venture partners and funders. Banks alone may be facing up to £1bn of debt write-off. Carillion seems to have over-stretched itself in a number of areas with some specific UK projects incurring significant overruns and losses. The Midland Metropolitan Hospital, Royal Liverpool Hospital and the Aberdeen Bypass projects all appear to be in difficulty, to name a few.

Some suggest that the acquisition of other contractors such as George Wimpey, Mowlem and Alfred McAlpine over recent years may have created some of the financial problems. Fortunately, Carillion failed in its bid for Balfour Beatty three years ago. It has also been experiencing problems overseas, in particular with projects in Saudi Arabia and Canada.

The big question is who will ultimately pick up the loss making public contracts? The obvious choice is that the government itself will be responsible, which rather smacks in the face of the PFI mantra. I suspect that Carillion had expected to receive some government support when the crisis hit, but any sort of bailout or financial assistance I imagine would have been too politically contentious.

One thing is clear, this may well finish off the PFI model in the UK in its current form, if it isn't already, making potential future projects more expensive, warranting more due diligence and requiring greater security. I suggest that the collapse of Carillion will cause problems for the sector for some years to come.

Focusing on politics for a moment, it seems Theresa May has found an unlikely Brexit ally in Emmanuel Macron of France. He has said, on his recent visit to the UK, that the EU should not punish the UK in Brexit talks as this could risk eurosceptic attitudes among other states.

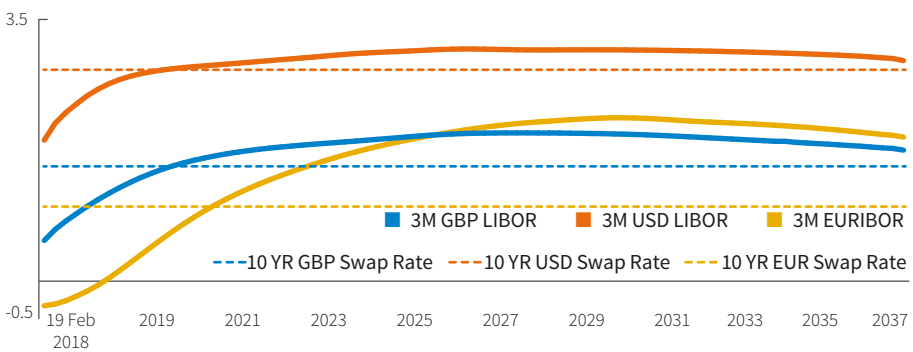
He also suggests that the EU countries should be careful not to use Brexit as a means to champion their individual interests. Interesting comments, as it is hard to believe that he is not thinking of French interests in this regard!

In South Africa, Jacob Zuma has eventually stepped down as president, paving the way for a 'new dawn' with Cyril Ramaphosa at the helm. Hopefully, this will trigger Eskom, South Africa's ailing power utility body, to honour the previously agreed legacy PPAs for a raft of renewable energy projects to reach financial close at the earliest opportunity.

Lastly, breaking news in the United States, President Donald Trump is to finally unveil his election promise for $1.5trn of infrastructure spend. Cynics may regard this as déjà vu, but the plan is to use $200bn of federal money (derived from cuts to existing programmes) to leverage state funding to focus initially on roads, highways, ports and airports. It has been evident for some time that this type of transport infrastructure is long overdue in the US.

However, given Trump's strained relationship with the Democrats, he may find he has another big job on his hands getting this through Congress. PB

Projected 3MTH GBP/EUR/USD IBOR CURVES and corresponding 10 Yr Swap Rates



19 February 2018	GBP	EUR	USD
3 Month IBOR	0.54975%	-0.32900%	1.89213%
Swap Rates			
3 YR	1.1770%	0.086%	2.5900%
5 YR	1.4005%	0.4930%	2.7320%
7 YR	1.5420%	0.8060%	2.8103%
10 YR	1.6760%	1.1460%	2.8814%
20 YR	1.8160%	1.6230%	3.0060%
30 YR	1.7735%	1.6802%	2.9643%


LAST CHANCE
SALOON
OPEN

How the industry responds to Carillion's collapse could determine PPP's future in the UK. **Paul Jarvis** reports that getting it right may boost the model's chances in the event of a procurement review

In the hours and days immediately after support services giant Carillion announced it was heading into compulsory liquidation, there were plenty of commentaries all too eager to attack both the company itself and the PFI model for this apparent disaster.

As one might expect, Labour was out of the traps quickly with leader Jeremy Corbyn explaining that this is why he wants to renationalise all PPP contracts, to stop private companies making huge profits while public services disintegrate.

However, the days and months that follow Carillion's collapse could provide a big opportunity to turn Corbyn's narrative on its head. If Carillion's contracts can be safely managed into the hands of other providers, without too much disruption, the government will have a powerful example of the benefits of PPP deals with which to hit back at the critics. Furthermore, if the government is forced into reviewing its procurement policies, it could start the process of developing a proper evidence-base on which to base any claims.

First and foremost, the way Carillion's existing contracts are handled will be vital. Things got off to a good start when, within weeks of the firm's collapse, it became clear that fellow consortium members Galliford Try and Balfour Beatty would be willing to take the hit on the Aberdeen Western Peripheral Bypass NPD scheme. Demonstrating that real risk transfer had passed to the private sector, this quick solution was the ideal response to early warnings of the dire fallout from Carillion's collapse.

"There is an expectation on all sides that service responsibility will be maintained, whether that is providing meals, cleaning contracts, or

that people can continue to turn up for work knowing that they will get paid," explains Sharon Renouf, partner at law firm Bevan Brittan.

PFI critics have suggested that Carillion's downfall is the result of bringing private sector partners into public services, but if the transition from Carillion to other providers can be properly managed, there may be a powerful counter argument that can be articulated.

This is, after all, not without precedent. Jarvis's contracts were successfully transferred to other providers with the minimum of fuss when it went bust. It is understood that the first instinct for many ministers then was for the government to bail it out. But officials talked them out of that approach, leaving the equity investors to take the hit in place of the taxpayer.

The real difficulties will come on some of the other deals currently under construction, where Carillion was the main equity investor, with no other consortium members available to pick up the pieces.

How the industry deals with this could ultimately decide whether PPP has a future at central government level in the UK. It is becoming increasingly clear that Carillion had underbid on some of these contracts and as a result there could well be a funding shortfall.

"Where new contracts need to be formed to take over existing service provision, private sector providers are naturally going to be very circumspect about future exposure, and will want to ensure that contracts and costs are fully underwritten," explains Renouf.

"Is the private sector going to come up with the solution, or is it going to go back to government and say this is a game-changing event so the contracts need to be renegotiated?" asks one adviser. "If the private sector doesn't come up with that solution and it goes back to government, the fallout will be that risk didn't transfer."

That could fatally undermine proponents' arguments in favour of the model – suggesting that if the private sector really wants to see a future for the UK PPP industry, it may need to accept that it will take a hit in the aftermath of Carillion.

Time for a review?

Regardless of how this ends up, sources suggest that the time may be ripe for a review, not least because the government needs to decide on how it is going to take this policy forward. "No-one is satisfied by the current situation," admits one public sector source.

"I would welcome a review," says one financial adviser. "A review would bring some facts to an argument where there have been very few facts in play. We have been doing this [PFI and wider privatisation] for 30 years, let's have a detailed review and then make an informed decision, rather than trading anecdotes."

Many experts have always argued that the success or failure of PFI should be based on the middle 80% of contracts, not just the worst 10% (that still attract most of the headlines), or even the best 10%.

"I have confidence that the majority of contracts have provided good value for money," says the adviser, "but I accept that the evidence is not there."

Many in the industry point to the recent National Audit Office (NAO) report that failed to take a decision on whether PFI presents value for money because, it said, it did not have enough of an evidence-base.

> **"Let's have a detailed review and make an informed decision, rather than trading anecdotes"**

The question here is how to produce a better evidence-base in terms of what the value of the private sector's involvement in the public sector is.

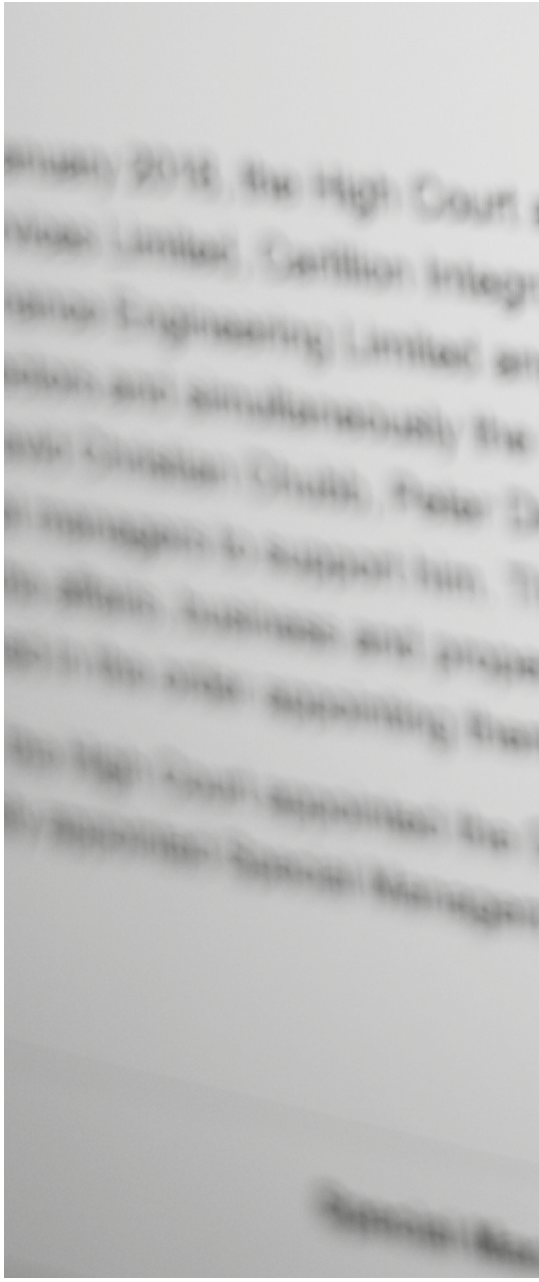
Could more have been done within government – and particularly Partnerships UK and Infrastructure UK – to develop that evidence-base during the decade when PFI was in the ascendancy?

Sources involved in the market and who were supporting government at that time explain that, particularly in the early deals, the paucity of public sector data meant that creating a public comparator always involved an element of guesswork. "There was no data about whole life costs, so once the deal was done it was a theoretical exercise comparing what might have been done on a public project," says one source.

Another problem, however, was the "enormous resistance at all levels" that some encountered in any efforts to collect public sector data. "There was always great appetite for looking at PFI data, but less appetite for probing into public sector performances," bemoans one.

Many believe it would be an easier exercise to undertake today, in part because the public sector has generally improved its approach to whole life costs, and because the number of PFI deals in existence makes a sectoral approach across a portfolio of schemes much easier.

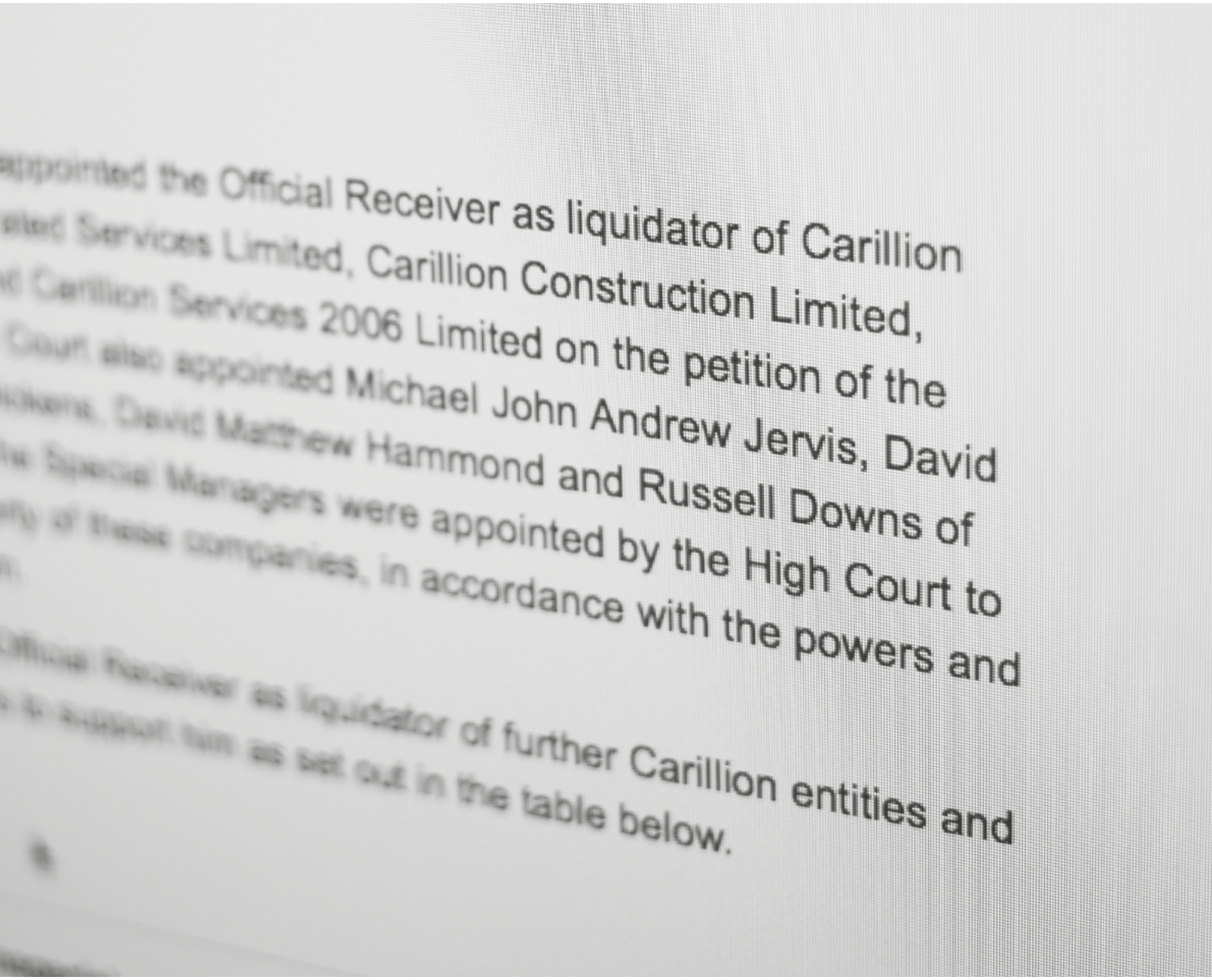
Furthermore, the IPA is recruiting in the area of data gathering, expanding its team in such a way that the Treasury unit may be far better resourced to unearth the information needed – provided



the private sector is willing to play ball. It is understood that work is already being carried out by the Education and Skills Funding Agency and at least one contractor to analyse the costs of the privately financed Priority Schools batches.

The IPA is already in the process of reviewing and updating the standard documents. Questions remain over the thoroughness of that process, and whether it will be a simple update to ensure PF2 properly complies with Eurostat's rules, or whether it will be something more fundamental.

Given the criticism around PFI and PF2 in the wake of the Carillion collapse, it may be well advised to be the latter. Sources suggest there is now "appetite" within government to start referring more broadly to "PPP" rather than PF2 or any other variant.



"From the construction side, we need to be doing something different," says Liz Jenkins, partner at Clyde & Co. "For example, on Thames Tideway, the government said it would underwrite some of the construction risk and that made it bankable.

"Maybe we need to move into a different way of procuring," she continues, highlighting the utilities sector as a good example of where capital and operational expenditures are considered together, within a framework of a long-term pipeline of works.

"From a procurement and contracting perspective, the utilities sector has interesting models that seem to work quite well," she explains.

This change of procurement strategy may be something that the government is already considering in some areas, such as the £400m fund to develop electric car charging infrastructure, announced in the Autumn Budget. "That is one way forward, to help create a market and demonstrate that it works as an investment alongside private investors," says a spokesperson for the IPA.

Jenkins also points to work done as part of the government's Industrial Strategy, which aims at taking a more mature approach to procurement so that contracts are not awarded simply on the lowest price. Instead, capital and operational costs should be taken into account, as well as issues such as the social value of a project.

"What we want is for the public sector to take that on board, and it will make the industry embrace it, just as it did with BIM," she says.

"Often the public sector is saying that 70-80% of the bid is based on price, and so that will be the main focus of a bid. But these big construction contracts are where issues and delays creep in, so any profit then falls away quickly," says Jenkins' colleague David Hansom. "We are going to have to see more innovation from the public sector in the way it procures, and that includes looking at the whole life cost of a project, which is all permitted under the current procurement regime."

The Industrial Strategy is trying to get cross-government support and it is understood that construction is a big priority within that.

"Procurement is becoming more high-profile," says Hansom. A range of issues – including those that helped push Carillion over the +

Roundtable – The Fallout

In February, *Partnerships Bulletin* hosted a roundtable event to consider the fallout from the Carillion collapse and how both the public and private sectors need to respond.

Significant changes need to be made to the way the public sector procures projects to prevent future problems emerging, a panel of PPP experts concluded.

During the event, held under Chatham House rules, the participants warned that the way that public sector contracts are procured was already under pressure before Carillion's collapse, as many UK contractors had already ruled themselves out of bidding long-term, fixed-price construction contracts in the future.

Most of these had done so precisely because of the types of problems that are now rearing their heads on Carillion's remaining construction contracts: the low bid price means that the only way for the contract to be delivered is if the private partner does the work at a loss.

"It is the big contractors that are struggling today," said one participant. "If you look at the mid-range contractors, they are doing quite well," he added, explaining that these are not involved in wrapping the big, complex, long-term construction contracts that has traditionally been the domain of PFI.

As a result, the big question for the industry today is whether those UK PFI and PF2 deals that are yet to be completed can be done for the price that was originally agreed with Carillion – or whether new deals will have to be struck.

"The problem is that nobody knows where the market is in the construction sector," explained one attendee. "Pricing has been up and down over recent years, and is now probably about 20% down on where it was in 2007. Is that passed on to the subcontractors?"

This also has longer term effects. As one contributor put it: "I doubt anyone would bid for PFI today. Before you even get into the question of whether the risk balance is right, bidders are just unlikely to take the bid costs."

"The UK industry has a limited capability to underwrite big contracts," added another. "So it will be international companies that are the lead contractors in future."

Some in the room were confident that the private sector is not looking to go back to government to sort the construction contracts out – but all agreed that this apparent race to the bottom in the way that contracts were bid means that there is a big need for changes to the way contracts are procured in future.

"There is a balance between price and quality that needs to be considered by the public sector," said one participant. However, he admitted that it would be a "bold call" for any public authority in the current political climate of austerity to say that a bidder's price is too low and should therefore be discounted.

The group also agreed that while it would be beneficial to be able to spot where a bidder is clearly under-bidding on a contract compared to its peers, in practice that is a difficult thing to do. "If a bidder is promising to deliver all the services in the specification, but has simply bid by 10% too low, it is very difficult to know that at the time," said one.

Another pointed out that the quid pro quo of this is that, if the bidder gets the pricing wrong by 10% the other way and therefore ends up making a large sum of money, the public sector perception and political narrative becomes one of 'fat cat' private profiteers.

"The culture needs to change," suggested one delegate, arguing that there needs to be a much greater acceptance of the importance of whole life costs of a project. Some highlighted other sectors where operational costs are taken into account when weighing up a bid, rather than just the capital costs.

There was also a suggestion that more could be done from the public sector side to act in a monitoring role to reduce the risk of bids being accepted when they are clearly under-priced.

However, some in the room were opposed to this, seeing it as an additional layer of bureaucracy on the public sector – which is trying to shift some of this type of function away from itself through the contract in the first place. They were also sceptical that the public sector would have the skills and capability to do this in a better way than the private sector.

As one put it: "Banks are meant to be the experts on financial covenants, not the public sector."

One participant highlighted the benefits that the PFI structure has given to the public sector in the Carillion fallout. "People must remember that if the contract had been let on a traditional build basis, the money would have been spent," he said, rather than being linked to the 30 years of unitary charges. This has been lost in the political backlash against both Carillion and PPPs in the UK.

The discussion demonstrated the appetite for change within the PPP market, and willingness to make that happen. As the Infrastructure & Projects Agency (IPA) carries out its review of PF2 documentation, there is likely to be increasing pressure for that to lead to something much wider.

Royal Liverpool Hospital: left unfinished by Carillion

> **It is not a question of private-public, one good and the other bad**

The government defence of PPP

Cabinet Office minister David Lidington responded to PFI opponents in his speech to Parliament in the immediate aftermath of Carillion's collapse, grasping the key principle that financial risk has been properly passed to the private sector in these deals.

"The events of the past 24 hours have demonstrated that for private contractors this is not an easy ticket to riches; there are very real risks associated with taking on a contract," he said. "In this case it is – and rightly so – Carillion's shareholders and creditors who are suffering very substantial losses as a consequence of the financial difficulties into which the company has fallen."

Promisingly, Lidington appears to understand the issues. "It is not a question of private-public, one good and the other bad; it is a question of seeking to drive forward the highest standards, whatever the form of provision," he said in response to MPs' questions.

He was backed up in the days that followed by both Prime Minister Theresa May and Chief Secretary to the Treasury Liz Truss, who both underlined the benefits that PFI and privatisation more generally had brought to British public services and infrastructure.

In an article for the *Observer*, May described PPPs as "essential", arguing that using private sector expertise alongside the public sector's own talents allows the government to "aim for the best and never settle for anything less".

Pointing to projects such as the Channel Tunnel and Crossrail as examples of schemes "delivered by a consortium of firms in partnership with the state", May insisted that the partnership between public and private sectors "has delivered for this country".

Meanwhile, Truss used a Policy Exchange event at the end of January to attack the Labour Party's stance on PPPs, adding: "One Carillion does not mean that every single public-private partnership has been bad for the country."

The encouraging thing here is that it suggests the incumbent government recognises the benefits that privately financed projects can bring – something that it has been far too slow in publicising in the past.

Nonetheless, some feel it is not enough. "The government has not done enough over the years to address the criticisms," says one lawyer.

precipice – have led to growing unease about the way in which the UK government procures its infrastructure. Hansom also points out that Brexit will give the UK an opportunity to potentially change its approach to procurement.

However, he explains that the UK was heavily involved in the drafting of the current EU rules, and the UK has gone on to apply them in a strict manner. "Any divergence [from the EU regime] looks likely to be minimal, certainly during any transitional period up until 2020," he concludes.

Another question is whether the industry would engage in yet another review of the model. "In my experience, the public sector says it wants a review when it has decided what it is going to do, gets responses from the stakeholders and then gets on with what it was going to do anyway," bemoans one investor.

However, many acknowledge that the current status quo can no longer continue and if the government is serious about reforming the private finance market and rehabilitating its image, they will be willing to get involved.

"I would hope that Carillion is a catalyst for a real consultation rather than paying lip-service," said Mark Baxter, managing director of Galliford Try Investments.

Many feel that the review that resulted in PF2 did little to address the real issues in the PFI model, either from the way the market operates or in terms of the way it was viewed by the public. The concern is that another review would also have little impact.

"There has got to be merit in a review," begins Nick Prior, partner at Deloitte. "The problem is that it is politically so toxic now that it is hard for there to be a constructive debate." Instead, he sees a trend in the UK to go down the route of using non-private finance models that can bring in private sector expertise. These could include variants on the HS2 and Crossrail delivery vehicles.

Hansom also warns that any review of procurement more broadly may not fix the problem, which he suggests may be more cultural. "Often, procurement rules are used as a blanket excuse for what has gone wrong. But in fact the rules give a lot of autonomy to procurers, which is not always used.

"The rules set out a framework, which whilst not perfect, do give flexibility," he continues. "It is encouraged, for example, to look at the whole lifecycle costs as part of the criteria, rather than just focusing on the cheapest capital spend. 'Value for money' does not mean 'the cheapest', it means the best mix of price and quality."

Nonetheless, a proper evidence-based study into the way UK infrastructure is procured is the only way to advance a coherent argument based not on ideology or anecdote, but on hard facts. Everyone will have to play their part: a smooth transition of Carillion's legacy contracts might just offer the best platform for backing PPPs that the UK has hade for some time. PB

PHILIP WOOLLEY
PARTNER – GRANT THORNTON

DATA DRIVE

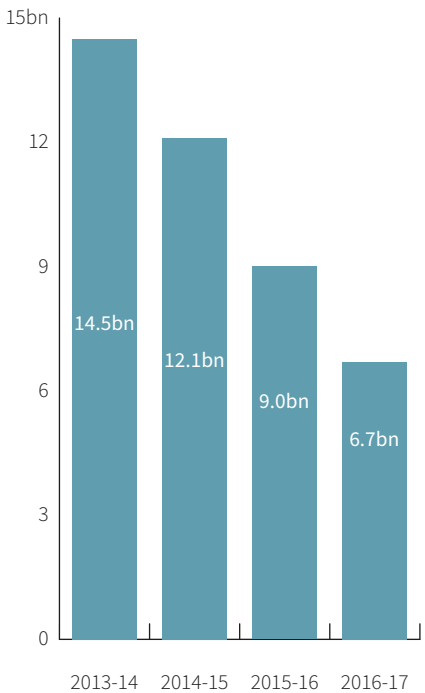
Grant Thornton's CFO Insights and Supply Chain Insights platforms have offered some telling results on the performance of PPP deals

The Carillion failure has again brought into sharp focus the sustainability of PPPs, and the relative merits of delivering public services through the private sector. It has been argued recently that in the delivery of public services, there should be a presumption of public sector delivery first, and by extension, a repatriation of any contracted out services to public sector in-house solutions either immediately or over time.

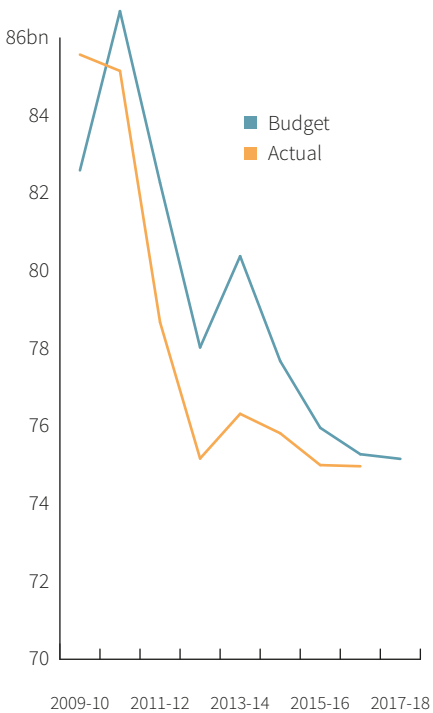
Grant Thornton's Insight and Analytics team track public sector spend and suppliers through their CFO Insights and Supply Chain Insights platforms. We've tested a range of questions against the data.

Is the sector facing key systemic risks?
There are significant challenges, no question. Spending reductions are now starting to see falling demand across some of the principal procurement categories. Local government, for example, has seen funding reduction of 50-60% since 2013. Our data shows that until 2013/14 supply chains had appeared to be insulated from those cuts, perhaps due to ongoing contractual arrangements, but since 2015, significant procurement categories are starting to see a fall in revenues. The below table summarises the falls in some key procurement categories.

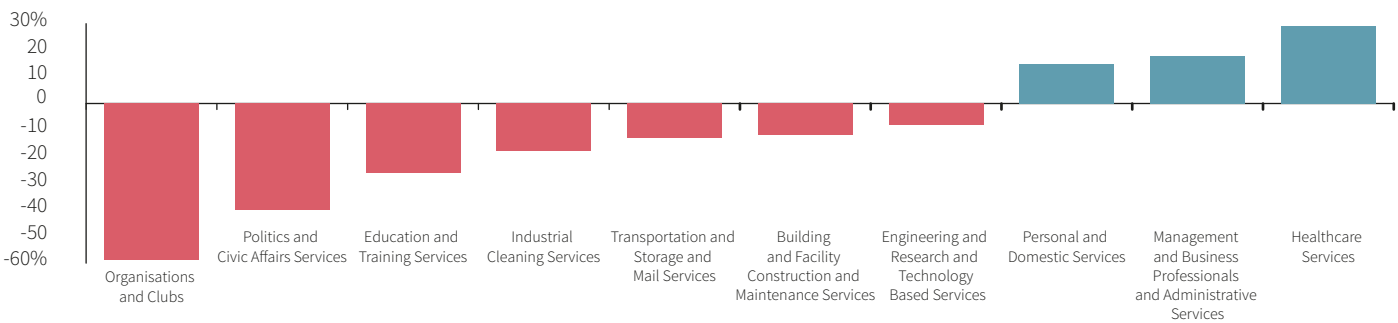
Local government revenue support amount by year

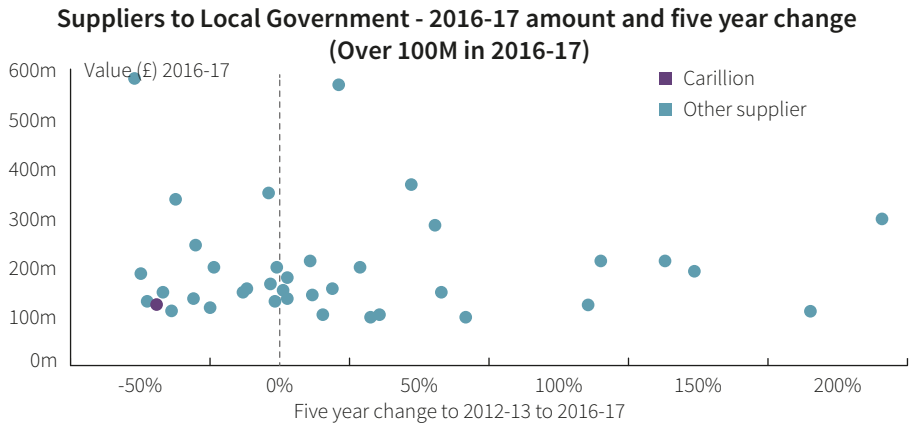


Local government spend



Local government spending by service % change - 2011-12 to 2015-16

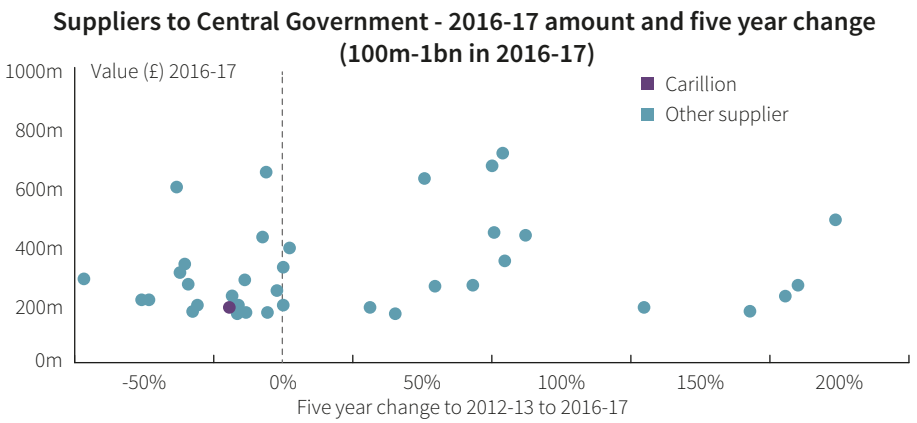


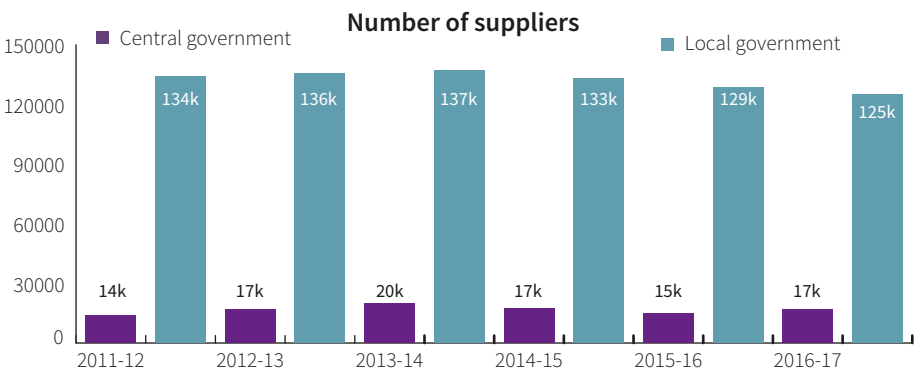


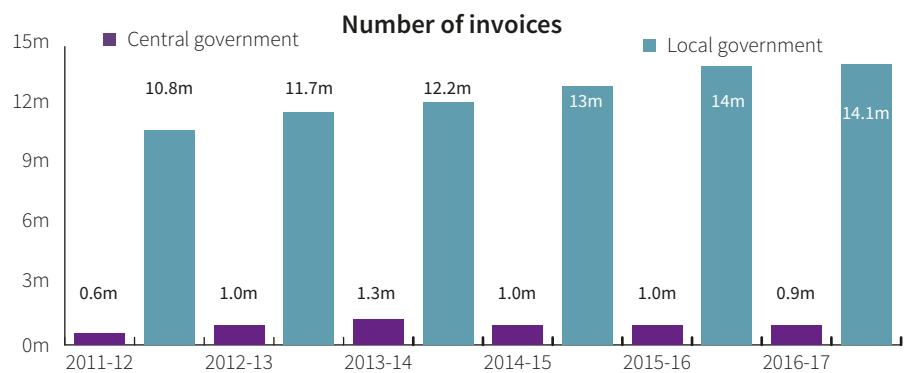
Are other suppliers in difficulty?
There are a number of large suppliers experiencing falling revenues from the sector in a similar pattern to Carillion. Our data ranked Carillion as the 11th biggest player in the public-private market, based on gross revenues. We have plotted the local and central government suppliers with annual revenues in excess of £100m, in terms of changes in revenue since 2012. This shows that almost half the larger players are experiencing falling revenues, in a shrinking market.

Is it feasible to curtail the involvement of the private sector in public sector delivery?
Capacity is the key point here. Despite austerity the market remains vast, published spend by local government, central government and NHS on private sector supplies totals over £0.5trn since 2011.

The market for public services has over 150,000 individual suppliers, raising around 15 million invoices per year – it is unrealistic to suggest private sector provision can be simply substituted out, in favour of in-house provision, without significant cost and disruption to service.







What can be done?
Smarter procurement and contracting, followed by robust ongoing supplier due diligence and assurance.

The spend data we have collated in Supply Chain Insights offers the opportunity for higher levels of supplier assurance than has ever been the case. We focus on:

- stronger supplier diligence at PQQ, involving validation of track record and mapping of all current live contracts;
- more intelligent procurement – stress testing of suppliers, and the sustainability of bid pricing, shifting the focus from lowest cost wins;
- ongoing monitoring of supply chains and supplier financial standing after contract award, through data analytics
- avoidance of critical supplier concentrations that expose key services in the event of failure
- data analytics to provide automated early warnings of at-risk suppliers PB

SAME STONE

Spain's plans for a new round of PPP roads have gone quiet since their launch last year. As it focuses on dealing with its existing bankrupt toll roads, learning those lessons has been an important part of the process, reports **Marina Formoso**

Last summer, Spanish President Mariano Rajoy announced the Extraordinary Road Investment Plan (PIC), one of the largest PPP road pipelines to be launched in the country for more than a decade – and a potentially significant new pipeline for investors across Europe.

Unsurprisingly, the announcement created plenty of excitement as both the Spanish and international infrastructure markets have long been waiting for a large plan to get their teeth into.

Details known so far involve 20 major road projects covering 2,000km to be upgraded, maintained and operated by the private sector. The investment is expected to be around €5bn for the 30-year concessions, which were originally said to be tendered between 2017 and 2021. However, since the announcement from Rajoy in July last year, no more details have emerged. Rajoy had originally pledged to reveal a list of projects, bidding documents, tender dates and other information around September 2017.

In the meantime, companies have begun preparing for the pipeline and are forming alliances and consortiums. The Galician firm Copasa will work with InfraRed Capital Partners, while ACS will partner with DIF. There are rumours of other alliances that are yet to be confirmed, including suggestions that Ferrovial will bid with Meridiam, while Sacyr will work with Aberdeen Standard Life, and Acciona is reportedly teaming up with John Laing.

"We are sure that it will encourage the market considerably and will be a major attraction for foreign investment in the next two to three years," says Daniel Vázquez, partner and head of law firm Dentons' public policy and environment department in Spain.

Although companies seem excited, there are parts of the industry that would like to see a larger plan. After all, infrastructure investment in Spain has been low in recent years, reaching 1.9% of GDP, one percentage point below the EU average. This has been a major factor in Spanish construction firms' increasing appetite for overseas projects over the last decade.

"For certain circles the plan has been considered insufficient, however, there is a big expectation and for sure it will be a considerable re-boot for public works in Spain," says Vázquez.

As nearly eight months have now passed since the original announcement, however, many are speculating on the cause of the delay.

At first, several people pointed to the Catalan independence crisis that engulfed the Spanish authorities in the autumn. Also, the fact that many companies such as Abertis, Allianz and CaixaBank, which are heavily involved in the infrastructure market, have changed their registered office in the light of possible Catalan independence raises questions over whether the private sector is losing confidence in the country. However, experts have dismissed this notion.

"This is a programme launched by the central government and the political situation in Catalonia does not affect the plan so much," says one European investor.

"The delay is due to a sum of factors," explains Vázquez. "The first is that we believe that the government will wait to tender the projects until March when the new law for public contracts will be operative. It is logical that the government wants to tender most of the PIC projects under this new law. Also, many small and medium construction companies are pressuring [public works ministry] Fomento in response to complaints that the PIC might leave them out.

> "The government will have no choice but to give guarantees"

"And finally, the cause that is very likely to be influencing the delay is the rescue process of the bankrupt highways, which has entered a decisive phase, and which affects some of the companies that are most interested in PIC."

At the moment, Spain is dealing with two different road programmes. Alongside the PIC, there is also the plan to rescue and retender nine toll roads that went bankrupt around 2010. The roads were all awarded under a PPP basis between the late 1990s and early 2000s to the larger Spanish companies.

However, during the construction and the first years of concession things didn't go as planned, with the global financial crisis particularly taking its toll on the roads, as fewer users saw empty roads and little money coming in for the operators, eventually resulting in their collapse into bankruptcy.

In February this year, the government started the acquisition of these failed roads and is expected to re-tender the projects in the next six months – completely clear of any bank debt associated with the previous contract. Unsurprisingly, given the experience of these previous deals, there is plenty of caution around in the Spanish government about making sure it proceeds with the new roads plan in a way that avoids the mistakes of the past. And it has some advice it can follow, too.

According to research published by the University of Barcelona, the reasons for the collapse of the PPP roads in Spain can be found both on the supply and demand sides. The research, entitled *Tripping Twice with the Same Stone: Bankruptcy of Toll Roads and Costs for Taxpayers and Users*, describes the causes that led to bankruptcy: increases in the cost of the contract due to an unexpected rise in the price of land expropriations – up from an estimated €387m to €2.2bn; deviations in the construction costs due to the discovery of paleontological deposits; unrealistic road traffic estimations; and the bursting of the housing bubble, as some of the roads were supposed to lead to new urban areas that in the end were never built.

With this as its starting point, it is perhaps little wonder that the Spanish government has taken its time to launch a new programme of investment. But with little information given so far, the question remains as to what strategy the government will use to avoid the mistakes of the past. First and foremost, as these once-failed concessions come back to the market, how can the Spanish government ensure that there will be sufficient users to make the financial case stack up this time?

"If the projects do not change and the competing routes do not change either, the users do not have a clear benefit to using the toll roads," warns Rafael Ruiz, associate at engineering firm Arup Spain.

"We can't act over the free highways but the ideal would be to make the toll roads more attractive by reducing the capacity of the free highways, lowering the speed limit, et cetera. However, many of these measures to make the toll roads more attractive would have a lot of social opposition, and the government may not be willing to go for this option," adds Miguel Prieto, associate director at Arup Spain.

Another aspect will be the transfer of risk. The Barcelona University study above suggests that the best option will be to share the risk 50-50 between the government and the private sector. However, at present everything points towards the government taking a large part of the risks in order to make the projects more attractive for the private sector.

"The plan to re-tender the bankrupt roads does not have demand risk. The logical thing would be that the government reduce the risk of demand for the private sector, paying more for the operation indicators of the assets and less for the demand," says Ruiz.

The Spanish case can be related to the Irish one, where after a deep recession the country has now turned into a prominent PPP market. However, in order to win the private sector's confidence Ireland has given many guarantees for PPP projects, such as remuneration to losing bidders of a portion of their bidding costs. Will Spain be able to deliver good guarantees?

"It is not clear yet," says Vazquez, "but, in our opinion the government will have no choice but to give guarantees. With the PIC, the system of payment to the contractors transfers practically all of the risk to the construction companies, which means that either they have to raise the profitability to make the bids attractive, or they have to be given guarantees that ensure the payments and the risks of the project. Otherwise, some of them may lose interest in the plan."

Experts advise that legal security is fundamental as well as transparency and the possibility of recovering the investment if external conditions are difficult to foresee.

However, the most important thing for Spain is for the country to establish a competent pipeline to avoid stumbling twice with the same stone. How that will look remains tantalisingly under wraps for a hungry industry. As a spokesperson for Fomento explains, no information can yet be released because the bidding documents are still being developed for both the new and bankrupt road programmes. PB

STREAMLINING AFRICA

Project preparation remains a key driver of African success. But could better learning across the borders and more standardisation help encourage investors into the continent? **Tom Minney** reports

In January, African Development Bank (AfDB) president Akinwumi Adesina said investing $130–$170bn a year into infrastructure is the priority: "Infrastructure projects are among the most profitable investments any society can make. When productive, they contribute to and sustain a country's economic growth."

Some fast-growing African economies are attracting domestic and international investors searching for long-term growth. Indeed, the problem now is the ability to keep up with that international demand. Investment adviser RisCura says assets are growing faster than the supply of projects.

Alain Ebobissé, CEO of the Africa 50 Infrastructure Fund, says: "The biggest challenge continues to be the lack of enough bankable projects," while Romain Py, head of transactions at Africa Infrastructure Investment Managers (AIIM), argues that money is not the issue.

Rather, the challenge is to ensure capacity and the right frameworks for a steady flow of infrastructure projects. Key lessons include not moving too far from accepted international practices in the risk-allocation matrix with stakeholders and listening to investors to avoid unrealistic expectations, while building up skills in separating "deal-breakers" from "desirable-but-not-essential". Pricing, including for users, should be sustainable.

Shem Simuyemba, coordinator of New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD-IPPF), a multi-donor fund hosted at the AfDB, says investors look for transparent procurement, tenor, risks, returns, availability of co-financing, and local capital markets.

"The important point to remember is that projects need to be bankable from the point of view of the person who will provide the risk capital to make the project happen," he explains. "While bankability is about figures, it is also about risk and reality and these factors all go together in making an investment decision."

He identifies three steps for African countries to boost their pipelines.

First is clear market rules and liberalisation of sectors where governments still dominate. Investment by independent power producers (IPPs) has soared where countries succeeded in opening energy sectors. In many countries, the private sector drives road freight and passenger transport and these are vibrant, but railways and airports do not have clear guidelines on "open access".

Second is capacity for preparing and developing projects. Simuyemba says: "$1 committed to project preparation and development unlocks between $80-100 in investment financing. Thus, a project with $10m in preparation costs can unlock between $800m-$1bn in financing depending on the sector and project location."

> **We are increasing the number of viable, bankable private and PPP projects**

Third is to streamline cross-border projects. The African Union urges interconnected trade and transport corridors to boost efficiency and slash transaction costs. But project developers say difficulties increase exponentially as they deal with different ministries and governments. According to Simuyemba, each region needs common policy reforms, an enabling environment, incentives and better partnerships.

South Africa already had PPP projects underway as far back as 1998, but soon moved to create a strong framework under then-finance minister Trevor Manuel, with inspiring results. The Public Finance Management Act 1999 sets a successful framework that has seen 24 completed PPP projects, including the Gautrain *(pictured)*, Africa's biggest PPP, and 50 more projects in the pipeline.

James Aiello, of the Government Technical Advisory Centre at the National Treasury, says: "Initially, the banks were dumbstruck at the idea that it would be project-financed and that the infrastructure could not be used as security. It took the Development Bank of Southern Africa [DBSA] to show the way.

"South Africa has world-class construction and facilities management companies, and they are keen to participate. South Africa also has good capital markets." New listings criteria for project bonds on the Johannesburg Stock Exchange were published in the Government Gazette in January and may help pension funds invest in infrastructure.

Another example of the success a streamlined framework can achieve is South Africa's Renewable Energy Independent Power Producer Procurement Programme, which had seen 51 operational independent power producers by September 2016, generating 2,738MW.

Many other countries are building capacity and frameworks, including legislation and government PPP units, but progress can be slow. Aiello says sometimes coordination is a problem. South Africa's framework gives the accounting officer or senior civil servant in the department much power to fulfil the law.

"In some countries the tender board, parliament, the planning department and others want to have a piece of the action and they won't approve a PPP programme that doesn't include them," Aiello says.

Donors and development banks have long worked together to create coordinated Africa-wide structures. NEPAD-IPPF was set up in 2005 and says it has so far helped prepare 78 regional infrastructure projects and close $6bn in financing.

The AfDB also hosts Programme for Infrastructure Development in Africa (PIDA), a joint initiative of the bank, the African Union and NEPAD, and the Economic Commission for Africa. PIDA has backed 51 cross-border infrastructure programmes and 433 sub-projects. It is mobilising for its $68bn priority action plan, dominated by energy and transport schemes.

The newest arrival is the Africa 50 Infrastructure Fund, which arose from PIDA. Founding shareholders met in 2015 with $700m in capital contributions from the AfDB and 20 African states. Capital is expected to reach $1bn by early 2018 with a medium target of $3bn. Ebobissé explains: "We are … increasing the number of viable, bankable private and PPP projects through our project development arm, and.. investing in later stage private and PPP projects through our project finance arm. Our goal is also to tap long-term savings from within and outside Africa by helping create an asset class attractive to institutional investors." It deploys early-stage risk capital for private and PPP projects in the development stage.

A 2014 World Bank study on PPP in the East African Community noted different approaches to PPPs in key countries and urged a regional PPP team, possibly hosted at the East African Development Bank, to support national units.

Expert advice and backing is available from a wide range of supporters, including IFC InfraVentures, the project development arm of the World Bank Group, plus World Bank divisions and bilateral aid agencies including the UK, France, Germany, Netherlands and Japan. Donor-collaboration structures include the Private Infrastructure Development Group (PIDG), set up in 2002 as a donor-financed group to overcome obstacles to private investment in building infrastructure. It offers operating and financing companies including DevCo, GuarantCo and Emerging Africa Infrastructure Fund as well as InfraCo Africa, which assumes risks and costs of early stage project development.

Getting different countries onto the same page so that they can increase collaboration won't be easy, however. "Most countries are much less developed than South Africa, they don't have deep banking systems or capital markets, or construction and facility management companies," says Aiello. "If the financial setup is not conducive, locals can't participate."

Ebobissé says that when governments demonstrate political will to implement sector reforms and efficient regulations that are friendly to the private sector, they attract investors and financiers: "Financing can be found if the environment is right, if the risks are shared according to market practices, and if the projects are reasonably attractive. There have been positive examples in a few countries that have put in place the policy framework necessary to attract investors." PB

Streamlining renewable power

Some of the biggest successes have been in renewable energy, driven by feed-in tariff structures and regulations. One example is the GET FiT Uganda programme, launched in 2013, and developed as a pilot to leverage private investment by the Ugandan government, the Electricity Regulatory Authority and Germany's KfW. Support comes from the governments of Norway, UK, Germany and the European Union's Africa Infrastructure Fund.

Anton Eberhard of the University of Cape Town says achievements include standardised bankable documents and contracts (request for qualification, request for proposal, power purchase agreement, implementation agreement and development agreement), reduced risk, a pipeline of bankable projects, helping developers to raise finance and lenders with due diligence, lower transaction costs and increased investment in small renewable energy projects.

By the end of 2016 GET FiT Uganda had 17 small renewable energy generation projects, including solar, hydropower and bagasse, with total installed capacity of 157MW.

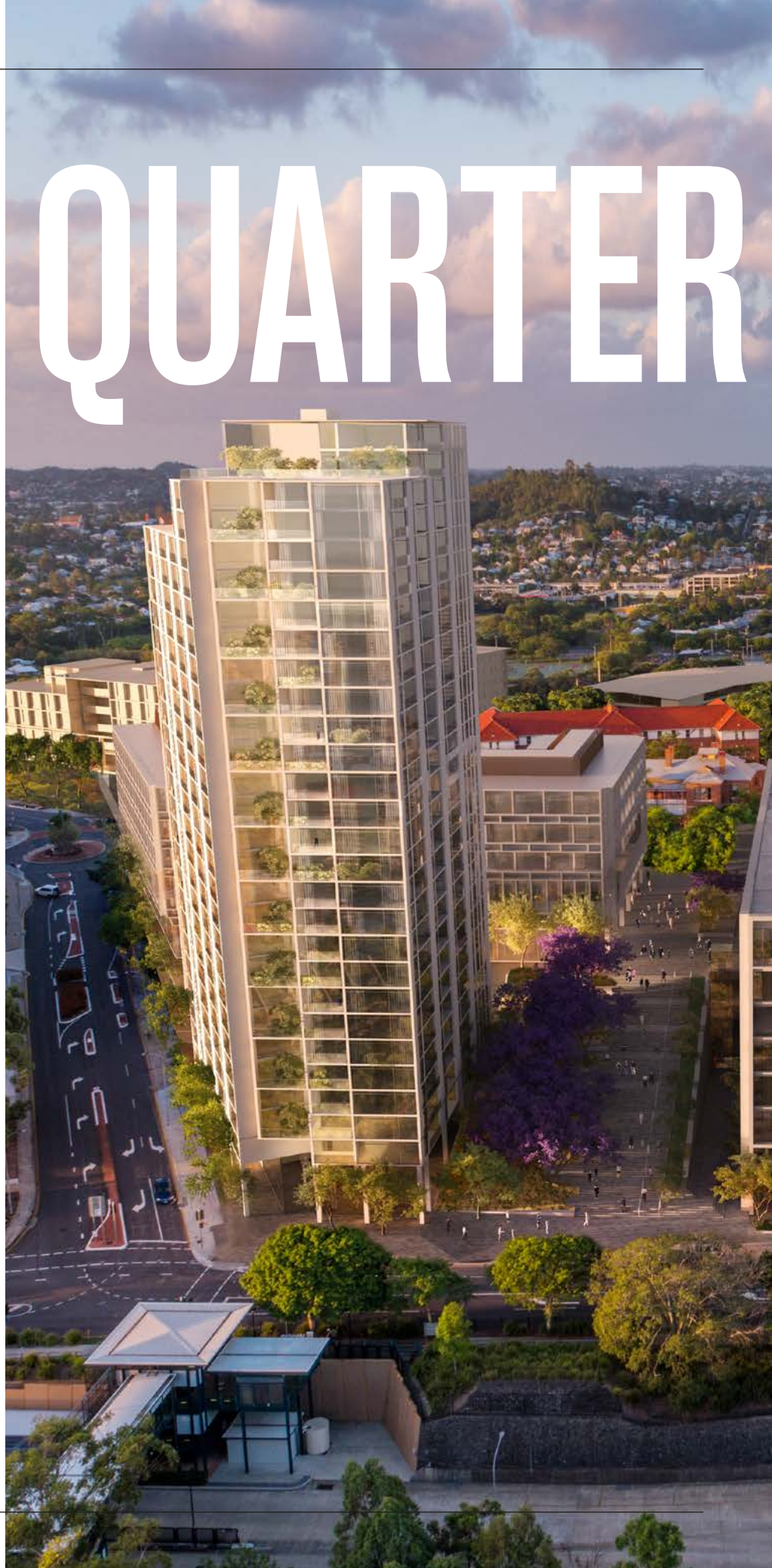
After the initial success of the pilot, it is being expanded to other East African countries. Further afield, activities in Zambia geared up in November 2017 and the official launch was 7 February 2018 with continued KfW funding.

Components again include standardised bankable legal documents; risk mitigation and financing support; and technical assistance ranging from input on solar PV grid integration to procurement support.

Financing packages are available for bidders from the AfDB, FMO, Power Africa and Africa Trade Insurance. There is also interest in Namibia, Ghana, Mozambique and even as far afield as Vietnam.

QUARTER

The Herston Quarter redevelopment project in Brisbane captured the imagination of judges at the PPP Awards. **Paul Jarvis** takes a look at why this scheme is more than a regular regeneration project



At last year's inaugural PPP Awards in Sydney, the team behind the Herston Quarter redevelopment project scooped two prizes: one for the Best Financial Structure and another for the Best Social Infrastructure Project.

Specifically, the prizes were for the Specialist Rehabilitation and Ambulatory Care Centre (SRACC) part of the project – one care facility being built as a PPP in the midst of a much wider redevelopment programme that will bring in a range of public and private partners at sites across the five-hectare Herston Quarter.

Using a PPP to establish one building within a much wider redevelopment programme is an unusual approach, but one that may well have significant benefits for the wider infrastructure market – demonstrating the potential for a blend of models to work together to create the best and most flexible outcome for the investors and public partners alike.

Australian Unity was selected by the Queensland government to undertake the whole development, including the SRACC. The approach has been to find the solutions that fit each individual requirement, rather than impose a single model across all aspects of this major, complex programme.

"[Australian Unity] considered how the site could most effectively be used to achieve the Queensland government's vision to elevate Brisbane's health credentials while still being delivered at no net cost or risk to the state," explains Kate Copeland, executive director of corporate systems and infrastructure at Metro North Hospital and Health Service.

"The project has been on the radar for some time but it had been hard to get off the ground," says Shaun Newing, managing director at Planum Partners, the financial and commercial adviser on the deal to investor Australian Unity. "It was a very challenging site."

MASTER

Taking charge of this programme was not, therefore, for the novice investor. Which is perhaps why Australian Unity emerged as the prime candidate. A mutual organisation that is focused specifically on health and wellbeing, it has an obvious fit with Melbourne's plans for its new health-driven precinct in Brisbane.

"Australian Unity has a vision to deliver on the Australian social agenda," says Ryan Banting, head of social infrastructure at its real estate investment division.

However, the organisation was also keenly aware that, to make the Herston Quarter development work, there will need to be plenty of input from commercial interests that will be taking up residence.

"A really collaborative process was needed," says Newing. "You need to take a real estate view. Things can be done in a complementary way.

"It demonstrates that you can deliver a lot of value by planning properly and getting all the commercial opportunities aligned. It is important that each individual component is run by the right party."

Major regeneration projects will often be driven by commercial considerations, while purely social infrastructure projects such as hospitals will sometimes fail to consider the wider commercial implications of their developments. By bringing these two sides together, the team at Herston Quarter believes that they have been able to get the best deal for both sides.

"The approach can generate a lot of value for government," Newing continues. "It demonstrates that you can deliver a lot of value by planning properly and getting all the commercial opportunities aligned."

Only as the wider Herston Quarter was being developed did it become clear that a PPP approach could offer a solution to the authority's requirement for a new SRACC. "The changing nature of requirements from the state meant that in late 2015 there was a requirement to deliver a new public rehabilitation facility somewhere on the site," explains Banting.

"This saw Australian Unity think creatively about how to incorporate a PPP-style structure within the broader precinct redevelopment project. The beauty of the Herston Quarter project was that it allowed the creativity and freedom for us to design a site that would

coordinate with what was already there."

However, this was to be no ordinary PPP. The fact that the team was already working with a commercial eye on the deal meant that some new ideas were put forward. "We had some people from our real estate team and some people from our infrastructure practice working together on this," says Newing. "You have to work together. You need to understand how people in the commercial world value estate."

"There was an opportunity to think about some more creative ways to work with the state," adds Banting.

The end result saw the SRACC being structured using a lease agreement, and funded by Australian Unity's real estate investment trust (REIT), for the first time in Australian PPP history.

"The use of a hybrid lease/PPP model has identified a different way to deliver value for money outcomes in the delivery of public social infrastructure assets," says Copeland.

"Even though there is a lease, it remains a PPP deal," explains Banting. "All the traditional availability mechanisms are there and it retains the same risk profile [as any other PPP]."

Australian Unity already manages a $1.5bn healthcare REIT fund, so the option was always a potential solution. But apart from bringing in a new form of financing to the PPP market, how did the use of the REIT help the market and, crucially, did it enhance the deal?

"The REIT allowed us to reach financial close without a bank loan or a bond. That has process benefits," says Newing. "It allows the process to be more efficient."

"The lease provides a more flexible form of finance and ownership," continues Banting. "Utilising the REIT provides a real alternative that has the potential to have a lower cost of capital and lower running costs for the project vehicle.

"It also allows the REIT to apply its experience to the design and development of PPP infrastructure, whether it is a healthcare REIT or one that has experience in other areas."

He adds that the REIT option provides the state partner with flexibility over both what it wants to do with the asset and how it might fund or occupy it – all, crucially, without impacting on its balance sheet.

"It is far more powerful than a simple capital solution," Banting concludes.

If it holds so much potential, then, there must be hope that the REIT can become a more widely used structure across the social infrastructure and PPP space.

"There is a lot of opportunity for it to be used elsewhere," says Newing. "Funding is the biggest challenge in Australia. If you can unlock real estate, then you can solve a big part of that funding challenge.

"It shows that you can develop major commercial solutions alongside PPPs. That can be applied across other sectors, for example education."

Banting confirms that Australian Unity expect the approach established at the Herston Quarter development will be replicated by the organisation elsewhere. "There has been work to discuss how we may deploy it to precinct projects throughout Australia," he says. "We are discussing with state governments whether we might be able to put our experience [in Herston Quarter] to effect."

> **There is a lot of opportunity for it to be used elsewhere**

He adds that the company is "working through the feasibilities on a number of precinct projects" with both public and private clients. "I would expect we might be able to announce some projects towards the middle or end of 2018."

Nonetheless, all those involved agree that the Herston Quarter was a unique scheme, meaning that where the approach is developed again, it will need to be a bespoke solution to a particular set of circumstances.

"The approach sets a benchmark in ways government and the private sector can work together to deliver significant health-focused mix use projects and the outcomes achieved at Herston Quarter have been a catalyst for further consideration of a similar model in other areas of Queensland," says Copeland.

"This is a new delivery model that is now informing the way we think about PPPs and their potential to deliver other similar assets in the future."

MAKING PROGRESS

Philip Davies, chief executive of Infrastrucutre Australia, tells **Paul Jarvis** how the agency has progressed since publishing its Priorirty List of projects almost a year ago

How do you see the infrastructure market progressing in 2018 and beyond?

Australia's infrastructure is undergoing a period of transformational change. We know that our population is expected to increase by 11.8 million people by 2046 – that's like adding a new city roughly the size of Canberra each year for the next 30 years. The sector is making clear steps to start preparing for that growth, but the magnitude of change ahead means we need to up our game to solve urban congestion in our cities, poor connectivity in our regions, and constraints in our national freight supply network.

At Infrastructure Australia our role is to identify some of these challenges, and guide better infrastructure policy and decisions. We will soon release our refreshed Infrastructure Priority List which identifies major infrastructure proposals that have substantial strategic merit and are of national significance. The Priority List aims to identify the key energy, telecommunications, transport, and water projects and initiatives that will relieve constraints on our national economic performance.

Through compiling the list, we've found that our major cities are planning nation-shaping projects that will tackle the challenge of population growth and maximise the opportunities that growth can bring.

This includes projects to improve rail network capacity in some of our major cities and improving connectivity to smaller neighbouring cities. If these projects are completed they will address some of the congestion challenges that our busiest cities are facing, while also enabling our smaller cities to develop stronger economic and employment links.

The list also addresses Australia's need to invest in efficient logistics networks and gateways so we can meet the international demand for our exports. In 15 years, two-thirds of the world's middle class will live in South East Asia.

Rail and road proposals like Inland Rail and major upgrades of Queensland's Bruce Highway will be important to improve supply chains and help industry and farmers handle the expected 80% increase in the nation's freight task.

Next year, we will publish an updated Australian Infrastructure Audit, which will use an expanded evidence-base to identify more infrastructure gaps across the country. This will further inform the investment and reform priorities the nation needs.

How have things developed over the past year?

Since the beginning of 2017 we have seen a lot of movement in the projects and initiatives in our Infrastructure Priority List. Ten projects have graduated off our list as they move into the construction phase. This includes Melbourne Metro *(pictured)*, Ipswich Motorway, Adelaide-Tarcoola Rail Upgrade Acceleration in South Australia, and Bringelly Road Upgrade Stage 2 in Western Sydney – projects that will again improve our national connectivity.

We've also been pleased to see major Commonwealth investments move forward including Western Sydney Airport Corporation being set up and Inland Rail move to implementation phase.

It has been great to see construction of the Moorebank Intermodal Terminal project start to take shape. This came to Infrastructure Australia as an idea in 2008. Over that time we have seen the project move through various stages of development on our list, and in October 2016 we added it to the list of Priority Projects. It has since graduated off the list as construction of the project began. Once this facility reaches full operation, it will take about 3,000 heavy truck movements off Sydney's road network every day.

Where do you see the main opportunities and priorities for the infrastructure market emerging?

First of all we need to prioritise investment in world-class public transport systems. To support growth in our cities and regions and enable our economy to thrive, we need to significantly increase network capacity and deliver reliable and efficient services appropriate for a 21st Century population and built environment. That means working towards delivering high-frequency, integrated passenger transit systems – like Melbourne and Sydney Metros – to enable people to get to and from work easily, ensure businesses can operate efficiently and support the creation of dynamic communities.

Second, we need to tackle urban congestion, which our Australian Infrastructure Audit found

could cost the economy $53bn per year by 2031. Continued investment in congestion-busting transport projects must be an ongoing focus for Australian governments if we are to reduce delays and improve the productivity of our major cities.

The third thing is connecting major cities to our regions. Better connected regions will not only facilitate economic growth, but provide people with more opportunities to live and work outside our capital cities. The Bruce Highway Upgrade is a good example of this.

Finally, we need to streamline our freight supply network. Australia's proximity to the booming economies of China and South East Asia, combined with our reputation for high quality exports, means there are enormous opportunities for export-oriented Australian businesses which our freight and supply chains need to support. This was also a key reform recommendation in the Australian Infrastructure Plan, which is now being progressed by the federal government. A national panel of industry experts has been established to assist with the development of this strategy.

How is the relationship between Infrastructure Australia and the new Infrastructure and Projects Financing Authority agency progressing?

The Infrastructure and Projects Financing Authority has been set up to advise the Australian government on the best approaches to the funding and financing of nationally significant infrastructure. The unit will work across all levels of government and the private sector to develop the best funding and finance options for landmark projects. This could include PPPs, use of the federal budget's balance sheet, and financing mechanisms.

The unit's role greatly complements our work, particularly around progressing the Infrastructure Priority List. We have had some great initial discussions with them and we look forward to continuing to work closely with them in the future.

What are the main barriers to infrastructure development and how are you working to combat these?

One is the lack of long-term planning across Australia. With government budgets under significant constraint, effective infrastructure planning is becoming more essential to ensure that we build the right projects, at the right time, for the right price.

Our Infrastructure Priority List goes a long way to addressing this problem by giving long-term confidence to governments and investors. For investors, knowing that all levels of Australian government are in agreement about the relative importance of a particular infrastructure project or the need to develop a solution to an identified problem, can be an enormous benefit. For our political leaders, the Infrastructure Priority List is the central source of informed analysis on our most pressing infrastructure needs, and provides a catalogue of projects prioritised for state and federal funding.

In the past year, we have seen significant improvements in integrated, long-term infrastructure planning and business case development in the states and territories, but there is still much work to do. We have been running workshops with stakeholders around the country, to help proponents to improve the quality of business cases that they submit to Infrastructure Australia. In these workshops we have talked about the need for greater investment in strategic planning and feasibility studies and better definition of infrastructure problems to support rigorous, detailed options analysis.

You have talked before about using broader funding options to deliver infrastructure – how do you see this area developing?

Australian governments have typically provided grant funding for infrastructure investments from general taxation, supplemented by user charges. This approach has worked well in the past.

However, Australia's aging and growing population sees governments under pressure to fund health and welfare services, which places pressure on funding of other infrastructure needs.

We need to rethink the funding balance between those who directly benefit from infrastructure and broader taxpayers. Users and other beneficiaries will have to take a greater share of the funding burden, releasing taxpayer dollars to meet the needs of a growing and aging population.

One of the most effective reforms that we see is road market reform. We advocated in our 15 year plan for fuel excise and registration fees to be abolished, and road users to only be charged for what they use. We are therefore pleased to see the Australian government commit to an independently led process on the potential reform options and models for road market reform.

While some states are really active on the infrastructure front, others are much quieter. Is there a need for the federal organs to help homogenise the way infrastructure is delivered and engage in cross-border learning?

We welcome the creation of state-based bodies like ours throughout the country. Currently there is Infrastructure NSW, Infrastructure Victoria, Building QLD and Infrastructure Tasmania. The West Australian government just launched a proposal for Infrastructure WA, which is welcome.

I think the strength of the groups is in the diversity of models and perspectives that each organisation offer. We meet regularly with the state-based bodies to share best practice and work together on key infrastructure reform issues. PB

UNITED KINGDOM

A303 Tunnel

Awarding Authority: Department for Transport
Status: In planning
Value: £1.3bn
Details: The project will consist of a 2.7km tunnel under the Stonehenge World Heritage Site, a bypass for Winterbourne Stoke and improvements to junctions between the A303 and the intersecting A345 and A360. PwC is advising Highways England in structuring and procuring the project, which is expected to involve a design-build-finance-maintain model. A consultation on the plans has been published.

Contact
Highways England
Annabel Dunn
Annabel.Dunn@highwaysengland.co.uk

Carmarthenshire Roof-Mounted Solar Panels

Awarding Authority: Carmarthenshire County Council
Status: In planning
Details: The authority is to procure private partners to deliver roof-mounted photovoltaic panels with battery storage systems on social housing units. The council is assessing the viability of the project with social housing providers to install the technology on around 25,000 properties in the Swansea Bay City Deal area. A contract notice is expected at the end of March.

Contact
Carmarthenshire County Council
Diane Hughes
+44 1437775640
diane.hughes@pembrokeshire.gov.uk

Hampshire Housing Partner

Awarding Authority: Hampshire County Council
Status: In planning
Value: £36m
Details: The authority is considering the procurement of partners to partially design, build, finance and operate extra care housing at three sites owned by the council. The project would consist of 50-55 apartments per site. A tender is currently being prepared.

Contact
Hampshire County Council
+44 1962832323
procurement.partners@hants.gov.uk

Lower Thames Crossing

Awarding Authority: Highways England
Status: In planning
Value: £1.5bn
Details: The project will consist of a tunnel between the River Thames east of Gravesend and Tilbury, with new link roads to the M25 north of the river between junctions 29, 30 and to the A2 south of the river east of Gravesend. PwC is advising the Highways England in structuring and procuring the project, which is expected to involve a design-build-finance-maintain model.

Contact
Highways England
Annabel Dunn
Annabel.Dunn@highwaysengland.co.uk

University College London Accommodation

Awarding Authority: University College London
Status: In planning
Details: The university sought financial advisers to help with the development of a mixed use university building of 19,500sq m, plus two new build student accommodation towers of 524 rooms. The buildings will be delivered via a design, build, finance, operate model, with the design being led by Lifschutz Davidson Sandilands architects.

Contact
University College London
tenders.procurement@ucl.ac.uk

Velindre Cancer Centre

Awarding Authority: Welsh Government
Status: In planning
Details: The scheme will be one of the first to be delivered through the Welsh government's Mutual Investment Model (MIM) as an alternative to PFI. Proposals for the project have been given outline planning approval by Cardiff County Council.

Contact
Infrastructure Programme Director Transforming Cancer Services in South-East Wales
Dennis O'Keeffe
020920 31 6240

EUROPE

Achtern Diek Secondary School

Awarding Authority: Landkreis Cuxhaven, Germany
Status: Advertised
Details: A private partner will plan, finance and conduct works to replace the secondary school complex in Dorum. Under the 22-year concession, the partner will also provide maintenance services for the new school. Works involve the demolition of the existing complex, excluding the sports hall. Interested parties have until 20 March to submit responses.

Contact
Landkreis Cuxhaven
+49 4721/662488
h.grossmann@landkreis-cuxhaven.de

Aron Menczer & Seestadt Aspern Nord Campuses

Awarding Authority: City of Vienna, Austria
Status: In planning
Details: The authority is considering procuring private partners to design, build and finance two campuses in Aron Menczer & Seestadt Aspern Nord. The partner will also operate the facilities for 25 years and will be responsible for building management plus cleaning and kitchen services. The authority anticipates procurement will begin on 12 March.

Contact
City of Vienna
+43 1400034671
vergabe@ma34.wien.gv.at

Bar-le-Duc Care Home

Awarding Authority: CIAS communauté d'agglomération Bar-le-Duc Sud Meuse, France
Status: Advertised
Value: €15.3m
Details: A private partner will design, build, finance and maintain a care home under a 40-year concession. The winner will deliver the 141-bed centre to be equipped with two 28-bed Alzheimer's disease sections, 95 places for the elderly as well as an 18-space unit for the disabled. Parties have until 27 April to respond.

Contact
CIAS communauté d'agglomération Bar-le-Duc Sud Meuse
+33 329795631
marchespublics@barleduc.frz

Belgrade Underground Parking

Awarding Authority: City of Belgrade, Serbia
Status: Advertised
Value: €35-40m
Details: A private partner will design, build and finance four underground garages comprising over 1,600 spaces. The winner will also maintain, operate and transfer the facilities. Parties have until 12 March to respond.

Contact
City of Belgrade
Nenad Vlaketic
nenad.vlaketic@beograd.gov.rs

Bratislava Technology Station

Awarding Authority: City of Bratislava, Slovakia
Status: Advertised
Details: A partner will design, build, finance, maintain and operate the project to process biodegradable waste under a 15-year concession. It will have a minimum processing capacity of 900 tonnes of waste per week. The winning team will have to procure suitable land to construct the project, which will be transferred to the authority at the end of the contract. Firms have until 23 March to respond.

Contact
City of Bratislava
Martin Boržík
+421 915995846
martin.borzik@smarting.sk

Brussels Transport Financial Services

Awarding Authority: Brussels Intercommunal Transport Company, Belgium
Status: Advertised
Details: The city intends to qualify third parties and consultants to work on the financing of PPPs and PFIs, devise alternative funding channels and take part in financial/engineering operations. The authority has launched an open procedure, with no deadlines for third parties.

Contact
Brussels Intercommunal Transport Company
Francis Van Peborgh
+32 25155834
francis.vanpeborgh@stib.brussels

Centre for Environmental Research and Innovative Food Technologies for Quality of Life

Awarding Authority: Institute of Animal Reproduction and Food Research of the Polish Academy of Sciences in Olsztyn, Poland
Status: Advertised
Value: €21.56m
Details: A partner will design, build, finance and maintain the project for 15 years and equip the facility, which will consist of a laboratory and office building. It also includes works on the local gas network and sewage system, as well as adjacent pavements and minor roads. Parties have until 16 March to respond.

Contact
Institute of Animal Reproduction and Food Research of the Polish Academy of Sciences in Olsztyn
+48 895393169
przetargi@pan.olsztyn.pl

Community Nursing Units

Awarding Authority: Health Service Executive, Ireland
Status: In planning
Details: The project will provide 50-100 beds. A list of 15 potential locations has been identified for consideration, of which a single bundle of up to 10 sites will be selected and brought to market using PPP. The remaining locations will be considered for later phases of delivery by the PPP process or by other procurement means. The authority has sought advisory services for the project.

Contact
Health Service Executive (HSE)
Anita Behan
+353 016774396
anita.behan1@hse.ie

Crema Public Lighting

Awarding Authority: Societá Cremasca Reti e Patrimonio (SCRP)
Status: In planning
Value: €18.8m
Details: A partner will plan, finance and conduct works to renovate the public lighting network across 19 municipalities. The winner will also manage the network for 20 years. Parties have until 3 April to respond.

Contact
Campanini Mario
+39 0373218820
info@scrp.it

D4 Motorway

Awarding Authority: Ministry of Transport, Czech Republic
Status: In planning
Details: The project consists of a missing 32km of the D4 motorway between Příbram and Písek, under a design-build-finance-maintain-operate contract. White & Case, Ceska sporitelna and Obermeyer Helika will assist the state in preparing the project and selecting the concessionaire. A prior information notice is due in February or March, with a tender in April.

Contact
Ministry of Transport
Martin Janecek
+420 225131656
martin.janecek@mdcr.cz

Dalymount Park Redevelopment Project

Awarding Authority: Dublin City Council, Ireland
Status: In planning
Details: The council has sought advisers to establish a two-year single party framework agreement for a detailed analysis and full appraisal of the redevelopment of the stadium in north Dublin over its lifecycle. The analysis will include funding sources and different management options available to the council.

Contact
Dublin City Council
+353 12224493
ProcurementUnit@dublincity.ie

FinEst Link

Awarding Authority: Governments of Finland and Estonia
Status: In planning
Value: €13-20bn
Details: A study has suggested that the project could be economically feasible by using a PPP model where the private sector finances the building of the tunnel and an EU grant would be needed to cover 40% of the costs. The 103km tunnel would connect Helsinki and Tallinn. Terminals could be located near Helsinki-Vantaa airport and the Ülemiste commercial area in Tallinn. Construction works could start in 2025, running for 15 years, with the project operational by 2040.

Contact
Kari Ruohonen
+358 40 504 5170
kari.a.ruohonen@gmail.com

Frankfurt Legal Venue

Awarding Authority: Hessian Ministry of Justice, Germany
Status: In planning
Value: €131m
Details: The refurbishment of the Frankfurt court of justice and renovation works at the Kassel prison facility will agglomerate several judicial services, including the public prosecutor's office. Works to renovate and equip the court with two high-security rooms will begin in 2021 and reach completion three years later.

Contact
Hessian Ministry of Justice, Germany
René Brosius
+49 611 32 26 95
pressestelle@hmdj.hessen.de

Ghent Bus/Tram Depot

Awarding Authority: De Lijn, Belgium
Status: Advertised
Details: De Lijn, run by the Flemish government, is seeking private partners to design, build and finance the tram and bus depot. The winner will also maintain it for 28 years. The project will consist of parking places for trams and buses, washing, refuelling and trapping facilities, track and overhead lines, offices and core maintenance and repair infrastructure. Parties have until 15 March to respond.

Contact
De Lijn
Vicky Van Daele
vicky.vandaele@delijn.bey

EUROPE

Grand Perigueux Anaerobic Digestion Unit

Awarding Authority: Grand Périgueux, France
Status: Advertised
Value: €41.49m
Details: A partner will design, build, finance, maintain and operate an anaerobic digestion unit in Boulazac Isle Manoire for 18 years. Parties have until 23 March to respond.

Contact
Grand Périgueux
+33 553358600
contact@agglo-perigueux.fr

Havre District Heating

Awarding Authority: Ville du Havre, France
Status: Advertised
Value: €325m
Details: A partner will design, build and finance a heating distribution network, and maintain and operate it for 24 years. The 9.5km-wide system, powered by a 48MW gas plant and a separate cogeneration unit, will serve 110 sub-stations. Firms have until 19 March to respond.

Contact
Mickaël Foirest
+33 235222408
mickael.foirest@codah.fr

Krokodiel Sports Park

Awarding Authority: Middelkerke, Belgium
Status: Advertised
Details: A partner will design, build and finance modernisation works for the sports park between Westendelaan and Duinenweg, plus maintain and operate it for 30 years. Firms have until 27 April to respond.

Contact
Middelkerke
Pierre Ryckewaert
+32 59313016
secretaris@middelkerke.be

Liège Airport Concession

Awarding Authority: Liège Airport
Status: Advertised
Details: The authority is seeking economic operators to invest in the construction and operation of at least one hangar as well as an aviation terminal. Parties have until 1 March to express interest. The authority will host a mandatory site visit on 21 March, with tenders due by 31 May.

Contact
Liège Airport
Vincent Degives
Telephone: +32 42348405
E-mail: vde@liegeairport.com

Marseille Education PPP Programme

Awarding Authority: Ville de Marseille, France
Status: In planning
Value: €1.04bn
Details: The city council has voted in favour of procuring the scheme to demolish and replace 31 schools dating back to the 1960s. The city will issue three bundles of two contract notices, each running for four years. The winner, to be chosen towards the end of 2018, will deliver the new schools by 2025.

Contact
Ville de Marseille
+33 4 91 55 11 11

Paphos District Desalination Plant

Awarding Authority: Water Development Department, Cyprus
Status: Advertised
Details: A partner will design, finance, build, operate and maintain a desalination unit and supply water for 25 years. The plant may be permanent or pre-engineered/pre-assembled. Financing will come from the contractor and the payments for buying the desalinated water shall be made from the government budget. Submissions are due by 27 March.

Contact
Water Development Department
George Oxinos
+357 22609289/295
goxinos@wdd.moa.gov.cy

Rimavská Sobota Detention Facility

Awarding Authority: Ministry of Finance, Slovakia
Status: In planning
Value: €58m
Details: The Ministry of Finance has confirmed plans to develop the Rimavska Sobota detention facility as a PPP, with a capacity of 832 places.

Contact
Tomas Duchac
tomas.duchac@cz.pwc.com

Staszow Business and Innovation Centre

Awarding Authority: Ministry of Investment and Development, Poland
Status: In planning
Details: The building will be equipped with offices, conference rooms, laboratories, and social facilities among other services aimed at local business and entrepreneurs. The ministry has sought legal advisers. Interested parties have until 27 March to submit responses.

Contact
Grzegorz Kubski
zamowienia@mr.gov.pl

ASIA-PACIFIC

Baggao Water Supply

Awarding Authority: Municipality of Baggao, Philippines
Status: Advertised
Details: A partner will deliver a Level 3 water supply to 24 barangays by 2019. The contract involves the construction of a bulk water source, storage facilities, transmission and distribution pipes as well as future capacity augmentation. It will also cover testing, operation and maintenance of water supply facilities during the entire concession period. Parties have until 6 March to respond.

Contact
Municipality of Baggao
0917-1023713
baggaowatersystem@gmail.com

Kuala Lumpur-Singapore High Speed Rail Project

Awarding Authority: MyHSR and the Land Transport Authority, Governments of Malaysia and Singapore
Status: Advertised
Details: Partners will design, build, finance and maintain rolling stock and operate rail assets for the project. Parties have until 29 June to submit proposals, with a bidder to be selected by the end of 2018.

Contact
MyHSR Corporation
query@klsg-hsr.com

New Zealand National Library

Awarding Authority: Department of Internal Affairs, New Zealand
Status: Advertised
Details: The authority is seeking to upgrade and expand the Archives New Zealand and the National Library of New Zealand through the provision of land, design and build, finance, maintenance and subsequent lease. Responses are due by 5 March. An agreement is expected by the end of 2018, with funding to be confirmed by the end of June.

Contact
Paul Perniskie
Procurement@dia.govt.nz

North East Link

Awarding Authority: Victoria Government, Australia
Status: In planning
Value: $16.5bn
Details: The ringroad will begin on the Eastern Freeway at Springvale Road, where the capacity of the Eastern will be doubled with six extra dedicated lanes. The freeway will link to a new six-lane, 5km tunnel beneath the Yarra River with local underground connections. The expanded Eastern Freeway section will remain toll-free. Detailed design is to get underway and the business case will be published ahead of the Victorian Budget 2018/19.

Contact
Victorian Government
1800 941 191
community@northeastlink.vic.gov.au

Papua New Guinea Tourism Programme

Awarding Authority: Papua New Guinea Tourism Promotion Authority
Status: In planning
Details: The winner will oversee the development of the programme with the IFC, the Tourism Promotion Authority as well as private partners. The implementation of project activities has already begun and the IFC has sought consultants.

Contact
World Bank
Ruth Moiam
+675 321 7111
rmoiam@worldbank.org

Port Connectivity Project

Awarding Authority: Karachi Port Trust, Pakistan
Status: In planning
Details: The authority has sought advice on the engineering, financial, environmental, procurement and legal aspects of the project. Advisers will examine the current traffic situation at Karachi Port, including cargo handling forecasts. Ownership of the project will remain with the KPT.

Contact
Karachi Port Trust
+ 92 21 9921 4312
pmppndkpt@gmail.com

Rampura-Amulia-Demra Expressway

Awarding Authority: Roads and Highways Department, Bangladesh
Status: Advertised
Value: $262m
Details: A partner will design, build, finance, operate and maintain the expressway. The project will consist of four lanes, including links to Chittagong road intersection and access to Tarabo. The winner will also deliver a 13.5km access-controlled expressway connecting National Highways N1 and N2. The Asian Development Bank is acting as transaction adviser, while WSP conducted the feasibility study for the project. Ashurst and Syed, Ishtiaq, Ahmed & Associates are providing legal advice. A pre-bid meeting is scheduled for 8 March and a preferred bidder is due in November.

Contact
Public Private Partnership Authority
rhd@pppo.gov.bd

Sydney Metro West

Awarding Authority: Transport for New South Wales (TfNSW), Australia
Status: In planning
Details: TfNSW is seeking firms to provide funding, financial and property advisory services, and firms to provide economic appraisal services and/or industry development strategy development services for the rail project. The project is an underground metro railway to link the Parramatta and Sydney CBDs, and communities in between. Market sounding for the project is to begin in February, with a final business case in September.

Contact
Transport for New South Wales (TfNSW)
1800 612 173
sydneymetrowest@transport.nsw.gov.au

Yangon Elevated Expressway

Awarding Authority: Ministry of Construction, Myanmar
Status: In planning
Details: A partner will design, build, finance and operate the four-lane elevated expressway toll road, which will run for 20.5km, connecting the Yangon Port and Thilawa Special Economic Zone in the south with Yangon International Airport, Yangon Industrial Park and the Yangon-Mandalay expressway in the north. A preferred bidder is expected by early 2019. The IFC has sought legal, transaction and technical advisers to join its team for the deal.

Contact
International Finance Corporation
Ikram Kumar
(+95) 1654 824
vkumar3@ifc.org

MIDDLE EAST AND AFRICA

6th of October Dry Port PPP

Awarding Authority: Ministry of Transportation, Egypt
Status: Advertised
Value: $100m
Details: A partner will design, build and finance the project, 20km south-west of 6th of October City, in the Giza Governorate. Partners will also operate and maintain the port for 30 years, before transferring ownership to the General Authority for Land and Dry Ports at the end of the concession. Applications to pre-qualify are due on 7 March.

Contact
Ministry of Transportation
pppdryport@mof.gov.eg

Al Ghubrah III Independent Water Project

Awarding Authority: Oman Power and Water Procurement (OPWP)
Status: Advertised
Details: OPWP is planning a plant with a capacity of 300,000 cubic metres per day to be located at Al Ghubrah. Bids are due by 18 March.

Contact
Oman Power and Water Procurement
+968 2450 8400

Ibom Deep Seaport PPP

Awarding Authority: Akwa Ibom State Government, Nigeria
Status: Advertised
Details: The authority, through the federal government, is seeking private partners to design, build, finance, maintain, operate and transfer the Ibom Deep Seaport PPP under a 50-year concession. It will consist of eight terminals with a marine services centre. Construction is set to start in 2018, with operations commencing two to three years later. PwC is the project manager, while Global Maritime and Port Services is the transaction adviser. Responses are due on 16 March.

Contact
Akwa Ibom State Government
ibom.deepseaport@idsp.ak.gov.ng

MIDDLE EAST AND AFRICA

Noor Abu Dhabi – Phase I

Awarding Authority: Abu Dhabi City Municipality
Status: Advertised
Details: A private partner will design, supply, install, operate, maintain and finance a new LED lighting system across the city to upgrade the current network. Proposals are due on 19 March.

Contact
Abu Dhabi Government
+9712 695 6405
siss.is@adm.abudhabi.ae

Tanzania PPP Pipeline

Awarding Authority: World Bank
Status: In planning
Details: Procurement is expected to start in 2018, with investment for each project ranging from less than $10m to a maximum of $70m. PPPs will have a maximum term of 15 years on a design, build, finance, operate and maintain basis. The World Bank has sought an advisory team to work the President's Office-Regional Administration Local Governments (PO-RALG) PPP Node to assess the suitability of the PPP model for 22 initial projects, including solar, bus and market PPPs.

Contact
World Bank
+255-22-216-3200
(+95) 1654 824
vkumar3@ifc.org

Resident snoop Hackitt P Dealsworth takes a lighter look at the partnerships world. This month, he takes a look around the jobs market and watches with dismay as the bones of Carillion are picked over

Job hunting

2018 certainly got off with a bang, with the news that Lord Adonis had not only quit as chair of the National Infrastructure Commission, but also used his resignation letter to launch a scathing attack on Prime Minister Theresa May's government.

His resignation may have come at the end of 2017, but the reverberations carried on well into the New Year – not least because his lordship kept popping up all over the place to continue his attacks on the government and, in particular, Transport Secretary Chris Grayling's handling of the East Coast Rail franchise. Indeed, Lord Adonis claimed it was the government's insistence that he stop criticising Grayling that forced him to resign.

But what caught my eye was the way that, on some social media platforms, the industry got all excited about who might be ready to replace the former Labour minister. While I wouldn't mention any names here, there were a few that were only too eager to put forward prospective candidates, with fulsome praise of their skills. Others just happened to drop the hint that they were currently looking for "a new challenge".

Sadly all that ambition was dashed when former deputy Sir John Armitt was given the top job towards the end of January.

Engineering timing

In January, the UK government launched the 'Year of engineering', which it described as a "pioneering campaign to transform the way young people see engineering and boost numbers entering the profession".

A laudable aim, no doubt – especially at a time when the construction industry as a whole is suffering something of a skills shortage that is expected to get worse after Brexit.

However, one must question the timing of the launch of this campaign: the very same morning that construction giant Carillion was forced into compulsory liquidation.

This probably wasn't the kind of message the government wanted to give with this new plan: 'Head into engineering, kids, and you too could end up working for a company that goes bust and leaves you with an uncertain future."

Profiting from disaster

It was hardly a surprise that Jeremy Corbyn and his Labour colleagues were quick to jump on the Carillion collapse to promote their own political objectives.

Hours after Carillion confirmed it was entering liquidation, Corbyn published an online video in which he railed against privatisation and insisted that the demise of the firm demonstrated that he and his party is right to want to take all existing PFI deals back in-house.

For a politician whose appeal is often said to be his 'authenticity', however, Corbyn seemed to play somewhat fast and loose with the facts of the situation.

After all, Cabinet Office minister David Lidington had worked hard to explain – to more than one MP – that the PFI structure and mechanisms of the contract meant that the private sector had borne the financial risk of projects, not the public sector.

And Corbyn's central claim that private firms were making huge profits out of public services struck a slightly odd note, given that a lack of profits at the private company in question was the big issue.

It seems the Labour leader was hoping to make plenty of political profit from the situation.

Short memories

During the fallout following Carillion's collapse, and the subsequent media frenzy, an awful lot was said and written that was, frankly, wrong.

I could have spent more than my allocated page here going through all the inaccurate comments that were made in a bid to twist the knife into PFI, Carillion, the Blair years, Tories, or pretty much anything else that people didn't like.

However, that would merely serve to highlight the depressing state of the political discourse in this country.

So instead, I bring you one last bit of knife-twisting that seems somewhat wide of the mark. According to the *Daily Mail*, former Chancellor George Osborne has changed his views on PFI, with his *Evening Standard* criticising Carillion and its approach. The *Mail* informs us that George was "an ardent advocate of the Private Finance Initiative" when in office.

That will be the same George Osborne who was such a fan that he put a halt to new deals while his department carried out a review, then relaunched the programme as PF2, a model he was so 'ardently advocating' that he only put five school batches and one hospital through the procurement model.