Public-Private Partnerships in Australia: Overview and A Case Study

A/Prof Yongjian Ke
UTS School of Built Environment

21 Jan 2025

Development History

The history of PPPs in Australia can be divided into two periods: pre- and post-2000

- Pre-2000: guided by various infrastructure procurement policies that did not explicitly use the term PPP
- Post-2000 – the establishment of Partnerships Victoria
  - Australia has formally and uniformly adopted the term PPP in public administration discourse
  - A series of comprehensive and specific PPP guidelines have been formulated and widely applied in other states
  - A lifecycle process for managing PPP projects has been established

Australian PPP Overview

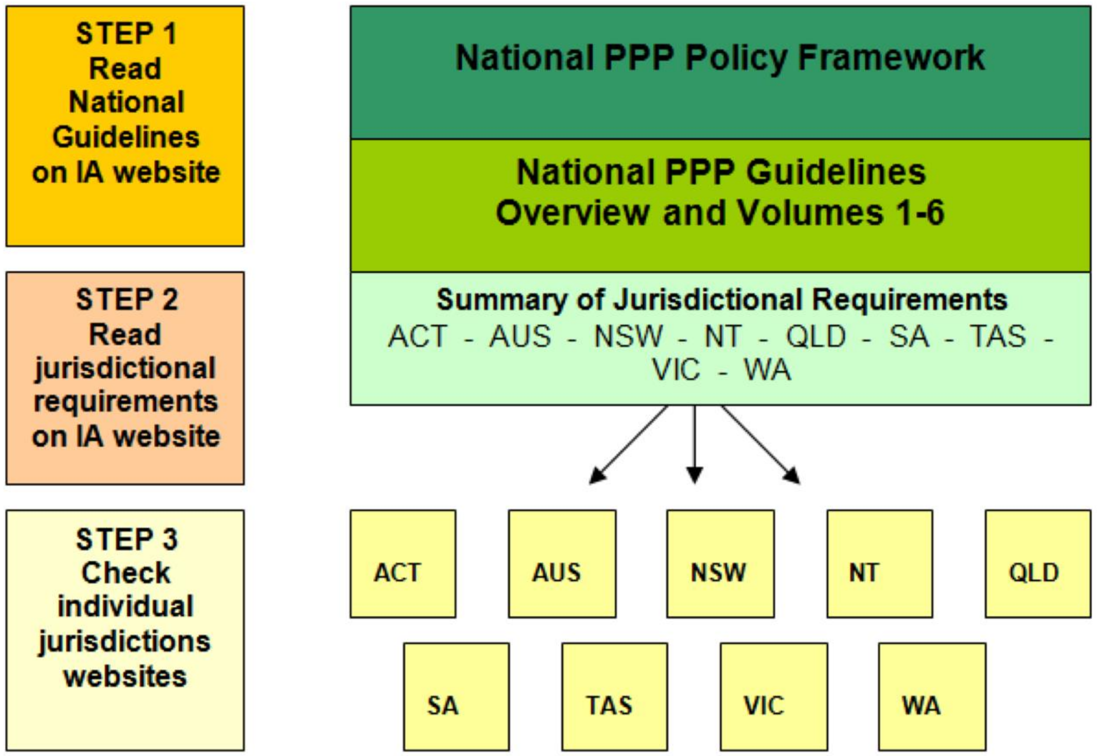
Source: National PPP Guidelines Overview

A PPP is a long-term contract between the public and private sectors where government pays the private sector to deliver infrastructure and related services on behalf, or in support, of government's broader service responsibilities.

Traditional Procurement	PPPs
Government purchases an infrastructure asset	Government purchases infrastructure services
Short-term design and construction contracts (two to four years)	One long-term contract integrating design, build, finance and maintenance
Input-based specifications	Output-based specifications
Government retains whole-of-life asset risk	Private sector retains whole-of-life asset risk
Payment profile has a spike at the start to pay for capital costs, with low ongoing costs	Payments begin once the asset is commissioned. The payment profile is relatively even, reflecting the level of service provision over the longer term of the contract
Government is usually liable for construction time and cost overruns	Private contractor is responsible for construction time and cost overruns
Government operates the facility	Government may or may not operate the facility
Government manages multiple contracts over the life of the facility	Government manages one contract over the life of the facility
Often no ongoing performance standards	Performance standards are in place. Payments may be abated if services are not delivered to contractual requirement
Handover quality less defined	End-of-term handover quality defined

Regulatory Framework

Sources: National PPP Guidelines – Vol 6; NSW Treasury



- National PPP Policy Framework PDF: 1004 KB
- National PPP Guidelines Overview PDF: 1364 KB
- Volume 1 Procurement Options Analysis PDF: 1365 KB
- Volume 2 Practitioners Guide PDF: 2061 KB
- Volume 3 Commercial Principles for Social Infrastructure PDF: 1812 KB
- Volume 4 Public Sector Comparator Guidance PDF: 2426 KB
- Volume 5 Discount Rate Methodology PDF: 1612 KB
- Volume 6 Jurisdictional Requirements PDF: 1718 KB
- Volume 7 Commercial Principles for Economic Infrastructure PDF: 1498 KB
- Roadmap for Applying the Commercial Principles PDF: 914 KB

The procurement of infrastructure and associated services through a Public Private Partnership (PPP) by any NSW Government agency, including State Owned Corporations (SOCs), must comply with:

- **NSW Government Procurement Policy Framework**
- **National Public Private Partnerships Policy and Guidelines** (the National PPP Guidelines)
- **NSW specific requirements in the NSW Public Private Partnership Policy & Guidelines (TPG22-21)**

NSW Public Private Partnership Policy & Guidelines requires that a public infrastructure project with a total estimated capital value exceeding $200 million must be assessed for

PPP Market in Australia

- Due to strict enforcement of VfM, complex accounting system, and many other reasons, the implementation of PPPs in Australia is generally considered complex
- A small number of PPP projects, e.g. about 80 projects over 18 years from 2000 to 2018
- Victoria, NSW, and Queensland are the major markets
- Economic infrastructure, such as roads, railways, tunnels
- Social infrastructure, such as hospitals, schools, and social housing
- In general, Australia tends to use PPPs for the high value and more complex and risky projects, like mega transport infrastructure projects → whether PPP-Lite (a concept by New Zealand in July 2024) is appropriate for Australia?

Case Study: Northern Beaches Hospital (NBH)

Reference: Wang, K., Ke, Y., Liu, T., & Sankaran, S. (2022). Social sustainability in Public–Private Partnership projects: case study of the Northern Beaches Hospital in Sydney. Engineering, Construction and Architectural Management, 29(6), 2437-2460.

- NBH is a licensed level 5 hospital operating under PPP
- Healthscope (i.e. private sector) is responsible for the design, construction and operation of the hospital. The hospital will provide medical services for public patients (at no cost) and private patients for a concession period of 20 years from the opening
- NSW government will purchase the public health services provided by Healthscope
- Upon expiration, the public part of the hospital will be returned free of charge to NSW Health. Since then, Health scope has another 20 years to continue to serve private patients
- After the opening of the hospital, a series of serious problems emerged, leading to an open investigation launched by the NSW Parliament on 6 June 2019. The committee published its final report in February 2020 and recommended that the NSW Government should not adopt PPP in any public hospitals in the future

Project Narrative in the Lens of Social Sustainability

- Advantages: a co-location arrangement for both public and private services; innovation
- Disadvantages: private investors' profit-seeking objective; The central focus of the hospital should be the patients, but this case study's findings suggest otherwise
- The disadvantages were widely recognized by stakeholders, according to the evidence
- There are many problems related to social sustainability in the project, due to which employees and patients were exposed to most of them

Categories	Sub-categories	Indicators
Employees	Access to employment	Equal opportunity Stable employment
	Sound employment experience	Basic human rights at work Fair employment contract Rational compensation system
	Ensure health and safety	Healthy and safe workplace Policies and procedures conducive to health and safety Healthy and safe work practices
	Develop personal capacity	Regular career review Education and training Self-development
Patients	Access to fair and equal treatment	Procedural fairness Equal access to services, facilities etc
	Ensure health and safety	Access to appropriate medical services Better patient outcomes Protection of personal privacy
	Accessibility and usability	The accessibility of the project The provision of important amenities
Local community	Human capital	The health of the local population has been improved The education of the local population has been improved
	Community capital	The improvement of community's economic welfare The enhancement of social cohesion
Society	Macro-economic welfare	Job creation Reduction of corruption Reduction of service price
	Fair competition	Encouraging innovation Avoid anti-competitive behaviours
Stakeholder participation	Information provision	Provision of information to collective audience Provision of information to selected audience
	Stakeholder influence	Decision influence potential Stakeholder empowerment

Concluding Remarks

- Australia had been considered a leader in global PPP applications, but the market share of PPPs in the infrastructure sector is relatively low

- Some recommended readings:
  - UTS Short Course: Infrastructure Delivery: Time for a Reset
  - New Zealand’s recent PPP initiatives: standard PPPs and PPP-Lite (i.e. simplified PPPs)
  - Social License for Infrastructure