



# Strengthening Private Sector Participation for Physical Infrastructure in the Pacific Region

**Case Study: NSW Schools PPP**  
**Bill Banks, Oceania Leader**  
**Project Finance Advisory**

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# New Schools Project 2



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# I. Background

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- New South Wales has been the leader so far with respect to Public Private Partnership Projects in the Education Sector.
- The NSW Department of Education and Training has released 2 PPP's in the education sector:
  - New Schools Project 1
  - New Schools Project 2
- These projects were released in response to predicted demographic and population changes in the coming years.

# II. Project Overview

## *What is the Project?*

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- ▶ Private sector financing, design and construction of Ten Schools in NSW
  - 7x Primary Schools
  - 2 Secondary Schools
  - 1 Special Needs School
  
- ▶ The private sector will provide facilities management and operational services over a 30 year concession period.
  
- ▶ Private sector services include:
  - Security
  - Maintenance
  - Janitorial & Cleaning
  - Waste Management
  - Utilities
  - Demountables Costs
  - Insurance
  - Help Desk

## II. Project Overview

### *Project timetable*

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EOI Released to Proponents	3 May 2005
RDP Released to Proponents	14 July 2005
PSC Disclosure	19 August 2005
Preferred Bidder Selected	14 December 2005
Contractual Close	20 December 2006
Financial Close	28 February 2006

# II. Project Overview

## *Expressions of Interest stage*

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- **At the Expression of Interest Stage (EOI) five consortiums comprising banks, construction and facilities management contractors responded to the invitation. Applicants included:**
  1. **AdvancED Consortium** – Commonwealth Bank, Laing O'Rourke Australia, United Group and Brisland Constructions.
  2. **Axiom Education** – ABN Amro, St Hilliers, Hansen Yuncken, Spotless Services.
  3. **Community Schools Partnerships** – Royal Bank of Scotland, Abigroup Contractors, Trane Australia.
  4. **Future Schools** – Macquarie Bank, Transfield Services, Buildcorp, Donnelly, Lipman.
  5. **Plenary Schools** – Plenary Group, Deutsche Australia, Broadlex Services, Advanced Building Technologies, Richard Crookes, ADCO.

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# II. Project Overview

## *Expressions of Interest stage*

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- The Evaluation committee with the assistance of Ernst & Young assessed the responses to the EOI. The following evaluation criteria was considered appropriate when assessing EOI responses.
  1. Respondent Structure and allocation or risk and responsibility;
  2. Financial Capacity of respondent;
  3. Respondent personnel, strategies and ability to work harmoniously in partnership with the public sector over the long term;
  4. Ability of Respondent to provide certainty about capacity to finance, construct and provide facilities management to the schools;
  5. Capabilities of Respondents key personnel; and
  6. Adherence to probity

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# II. Project Overview

## Requests for Detailed Proposals (RDP) Stage

- **On the basis of the EOI evaluation criteria, the following 3 proponents were shortlisted to submit detailed proposals:**
  - Axiom Education;
  - Future Schools; and
  - Plenary Schools

# II. Project Overview

## *RDP Evaluation Criteria*

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- The RDP evaluation criteria for the project was based on the following:
  - Educational Requirements
  - Financial Requirements
  - Legal Requirements
  - Technical Requirements; and
  - Service Requirements

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## II. Project Overview

### *RDP Evaluation Criteria – Educational Requirements*

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- **Recognition of need to raise education staff and student awareness to ensure the highest possible safety standards while engendering pride and ownership in new facilities;**
- **Understanding fluid nature of educational provision and need to develop a partnership relationship with the individual schools;**
- **Commitment to fostering continuous improvement in the delivery of services, gathering data from users and responding users' feedback; and**
- **Understanding DET corporate objectives and service delivery and asset strategies and links between those strategies and school facilities.**

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# II. Project Overview

## *RDP Evaluation Criteria – Financial Requirements*

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- The quality and value for money of the proponents financial proposals;
- Certainty of delivery; and
- Financial strength and robustness.

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## II. Project Overview

### *RDP Evaluation Criteria – Legal Requirements*

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- Compliance with the terms and risk allocations of the DET draft project documents; and
- Certainty of delivery of the proposed commercial arrangements.

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# II. Project Overview

## *RDP Evaluation Criteria – Technical Requirements*

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- The capabilities and experience of nominated contractors and key individuals;
- The compliance, quality, innovation and understanding of proponents' planning, architectural and design proposals; and
- The compliance of the proponents construction works program and management plans.

# II. Project Overview

## *RDP Evaluation Criteria – Technical Requirements*

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- **General demonstration of how the proponents would deliver the required services;**
- **General service delivery, including the proponents' operations manuals and procedures for responding to changing requirements and their performance reporting, helpdesk and mobilisation and commissioning proposals, capabilities and experience; and**
- **The compliance and quality of the proponents proposals for specific services and services to meet any future needs for expansions, including the installation and removal of demountable classrooms.**

# II. Project Overview

## *Preferred bidder*

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- **On the basis of the RDP evaluation criteria, the Axiom Education Consortium was chosen as preferred bidder on 14 December 2005.**
  - ▶ The cost estimate for Axiom Education's bid was approximately \$177.5 million.
  - ▶ The Axiom Education bid represented value for money of approximately 24%

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# II. Project Overview

## *Project Financing*

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- The financing package of the winning bid used a 2 tranche bond solution (indexed annuity bonds)
- The project has gearing of 90-95%

# IV. Issues / Challenges / Lessons Learnt

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- Project Team
  - ▶ Importance of cohesiveness - working together with the Project Team (links between Deed/Spec/Payment Mechanism)
  - ▶ Regular meetings to keep track of progress and consistency
  - ▶ It can be difficult to get timely contributions
- PSC and Assumptions Register
  - ▶ Important to determine requirements upfront
  - ▶ Accuracy of model inputs
  - ▶ PSC disclosure requirements

# IV. Issues / Challenges / Lessons Learnt

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- Sites
  - ▶ Condition of sites (subdivision, level of service such as roads, sewerage) has a major impact upon price
  - ▶ Government versus Project Company obtaining Development Approvals
- Payment Mechanism
  - ▶ Importance of simplicity and clarity (worked examples)
  - ▶ Useful to discuss early on in the process with bidders
  - ▶ Avoiding cross over between performance and unavailability