



Pinsent Masons

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What does it take for PPP Resources Projects and
Other Projects?

Singapore Sports Hub Project
Chesapeake Forest Project US

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The Singapore Sports Hub Project



Background

- The Singapore Sports Hub, commissioned by the Singapore Government in conjunction with the Singapore Sports Council, is the largest PPP project commissioned in Singapore to date.
- The \$834million project, which is under construction in Kallang, is led by Dragages Singapore Pte Limited, part of a consortium under French construction giant Bouygues and financed through HSBC Investment.
- Aims of the project:
 - To build and operate a new national sports facility for Singapore as a flagship PPP project under a 25-year concession agreement.
 - To incorporate the existing national stadium site into a multi-purpose, world leading sports facility.

Political commitment and regulatory arrangements



- Demand for excellence
 - The Singapore Government strives for innovation and excellence in infrastructure.
 - Project gives Singapore the opportunity to compete on the world stage for international sporting events as part of a strategy to establish the country as a world leader
- Market for development
 - Project is part of a wider development strategy including a Las Vegas style casino, the world's biggest observatory and a floating entertainment stage in Marina Bay

Political commitment and regulatory arrangements



- Attractiveness to private sector
 - Flagship, innovative project for any international contractor.
 - Major selling point as part of diversity further into Asia-Pacific region by Western contractors.
 - Singapore has an established PPP structure which has proven to be successful in other sectors.
 - Project commissioned before downturn in the global economic climate.
 - HSBC involvement provided steadfast assurance for the private sector.
 - Creation of new jobs and domino effect on local economy as part of wider generation and investment.

Managing the PPP process



- Risk
 - Size and value of project – largest sports PPP project in the world and first in Singapore.
 - Bouygues, through its subsidiary, is an experienced contractor in Singapore – Local subsidiary means sensitivity towards and acute awareness of local ethics, work patterns and attitudes.
 - Project dependent on attracting international sporting recognition and could fail without attracting large scale events
- Appropriate PPP model
 - Effective dialogue stage with 4 experienced bidders allowed Singapore to obtain the best possible project with value for money.
 - Delays for change in design were eased by the flexibility of the PPP process as bidders were allowed to resubmit plans.

Legal and Governance Issues



- Legal issues
 - First PPP Sports project in Singapore – careful drafting needed to ensure adequate and relevant operating structures in place post-completion.
 - Changes in design during the bidder process led to an extension of time limits on submission of bids and a new round of legal, financial and technical evaluations.
- Governance Issues
 - Cooperation of Singapore Government and Singapore Sports Council
 - Possibility of over expansion of the infrastructure and therefore, there is a possibility of the level of governance falling
 - Managing project to ensure optimum public access to facilities

Chesapeake Forest Project United States



- Background:
 - The Chesapeake Bay is the largest estuary in the United States
 - a major area of both recreational and commercial fishing for the State of Maryland.
 - The environmental quality of the Bay has been seriously threatened by wastewater discharges from growing population centres and minimal controls of agricultural run off (both fertilizers and animal by-products);
 - In response, area governments have made restoration of the Bay an environmental priority, including an increased interest in land and wetlands management;
 - However, both state and local governments lack the financial and personnel capability to address many of the concerns. It was in this situation that the Chesapeake Forest Project was created

Chesapeake Forest Project United States



- In 1999, a private company sought to divest its holdings in the forested areas of the Eastern Shore of the Bay, but the State of Maryland lacked both the funding to acquire the land and the personnel resources to manage the land once purchased;
- In addition, the cessation of timber harvesting on the offered lands would have caused an unacceptable loss of employment in the region.
- Recognizing its fiscal and personnel limitations, the State entered into a phased-in public-private partnership to purchase and manage the land;
- A pilot phase tested the concept of the partnership and ultimately fully implemented this contractual relationship that allows the private sector partner to harvest timber in a limited portion of the lands and manage the entire property according to environmental standards closely monitored and supervised by the public sector;
- The revenues from the timber harvest generate the necessary income to make the project completely economically self-sustained and at the same time generate revenues for both the State of Maryland and local governments.

Chesapeake Forest Project United States

Project Objectives



- The broad vision for the Chesapeake Forest Project was the creation of an active, working, certified sustainable forestry on the Eastern Shore of the Chesapeake Bay that would not only pay for itself but also help support local communities. To this end, the State and non-profit environmental groups sought to achieve following specific objectives:
 - Provide a steady flow of economic activity and employment to support local businesses and communities;
 - Prevent the conversion of forested lands to non-forested uses;
 - Contribute to improvements in water quality, as part of the larger Chesapeake Bay restoration effort;
 - Protect and enhance habitat for threatened and endangered species;
 - Maintain soil and forest productivity and health; and,
 - Protect visual quality and site of special ecological, cultural and historical interest.

Project description



- Chesapeake Forest Partnership (CFP) was developed in a two stage process
- The parties:
 - A major charitable foundation aided the initial acquisition of a portion of the property
 - A not for profit public interest group whose primary purpose was environmental concerns also participated
 - A for profit consulting forestry firm joined in to perform forestry management functions under the PPP
- The land:
 - 58000 acres of forest and wetland, much of it environmentally sensitive
 - Originally owned by a private lumber company who terminated its operations
 - Local government was concerned that cessation of lumbar activities would have negative financial impact: loss of taxes and employment

Financial Agreement



- State provided \$16.5m to purchase half of the forest
- Foundation purchased the remaining half and gifted it to the State with stipulations:
 - Commissioning of detailed sustainable forest management plan
 - Forestry Company managed and harvested in accordance with States standards and regulations and the management plan
- State underwrote any losses in the first 2 years (but a profit was made in both!)
- Private company paid a per acre fee for management
- Money from sale of timber paid direct to state
- Profit risk with private sector (capital not Carried over each year), therefore strong incentive to be self supporting



Source: <http://www.dnr.state.md.us>
Maryland Department of Natural Resources

Key points for success or failure



- Difficulty in balancing social, economic and environmental goals
- Important to retain the focus on the desired outcomes
- Done by utilising the adaptive forest management system which monitors information received, enables feedback and responds to change
- After the initial 2 year start up period, the private sector takes income risk
- End result: a sustainable, state owned public forest, managed by the private sector but producing income for the public sector.



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Thank You

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