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Editorial

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EDITORIAL



Infrastructure has moved from a muted discussion between civil engineers and government departments to a heated public debate. It is now making headlines.

The trouble is rarely do you hear a success story about an infrastructure project. A cynic might argue that good news is no news, but the reality is governments and private sector partners are still learning. While Australia is starting to garner experience, there are inevitable stumbles. Capturing the knowledge being gained as each project unfolds is now the challenge; it is only through a concerted, collaborative research effort that the nation will learn from its mistakes and its successes.

Good public policy can only be developed on a sound knowledge base and capturing and distributing that knowledge is the *raison d'être* of the Australian Centre for Public Infrastructure. This publication is part of that, but the Centre's research agenda is much wider. It has established four themes which will guide its activities.

- Quantification of risk in PPP projects
- Decision making for projects
- Streamlining the process of delivery for PPPs
- Transparency and value from PPPs

Already the Centre is working on some exciting projects. A submission has been made on the feasibility of establishing construction standards for Hong Kong. This will be a joint project with Hong Kong Polytechnic University. An expression of interest has been submitted to provide technical assistance for the refinement, review and education of public private infrastructure procedure in Indonesia. Sponsored by the World Bank, the Centre would be working with Statcon Singapore and the Training and Development Association, Singapore. It has also been meeting with a team from Loughborough University in the UK regarding the development of new models for analysing risk in PPP projects. Prospective projects include a longitudinal study of the showgrounds development in Melbourne and contract research for the Department of Treasury and Finance, Victoria.

The Centre has also recently run customised short courses for both public and private sector participants in how to manage a PPP project in line with the *Partnerships Victoria* policy. Similar courses are planned later this year for New South Wales, tailored for the *Working with Government* policy.

Part of the Centre's aim is to capture knowledge gained on 'real' projects by fostering research. The first cohort of students undertaking the Master of Public Private Partnerships are well into planning their theses. Their topics cover some of the major issues Australia faces in the design and delivery of infrastructure. They include:

- an integrated approach for the quantification of risks associated with providing public services
- information, reserve prices and the design of PPP auctions
- containment of bidding costs for PPP projects
- development of a standard structure for PPP contracts
- the application of PPP concepts to large private investment projects
- assessing the longevity of PPP projects

Longevity of the Centre is now assured with confirmation in June by the Victorian Minister of Education, Lynne Kosky, that we are Victoria's tenth university. The overwhelming public support for the university's continuation during the period of public consultation was very heartening. Clearly when the Minister saw such support from the corporate sector as well as from academic staff from other institutions, she knew this was an innovation which has now earned its place in the Australian higher education sector.

The PPP model is no longer viewed as novel, although it retains its innovative characteristics. This second edition of the *Public Infrastructure Bulletin* moves beyond the discussion about what PPPs are to actually managing them.

Roy Weitzman of Minter Ellison warns that, while probity rules determine the process by which tenders are conducted, they may also leave governments open to challenge from disappointed tenderers. The long-term nature of the PPP model demands a careful approach to managing the relationship between government and private contractor, as Roger Quick from Gadens Lawyers explains in his article. Professor Danny Samson discusses two powerful techniques to apply in analysing and quantifying the risks involved in PPP projects. Darrin Grimsey of PricewaterhouseCoopers argues that objections to the PPP procurement method are based on incorrect facts. And the *Bulletin* talks to Mike Fitzpatrick and Dominic Hudson about the financial side of public infrastructure.

Creating new knowledge and sharing it is a two-way process, so we welcome your letters, contributions, counter-arguments and suggestions. I trust you will find this second edition of the *Public Infrastructure Bulletin* informative and enjoyable.

David Lloyd
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