Public-Private Partnerships
Delivering During Recession

An IBEC PPP Council Report
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Executive summary

The IBEC Public-Private Partnership (PPP) Council is the voice of Irish business for the development and promotion of PPPs. The PPP Council actively encourages the use of the partnership mechanism for the delivery of significant public sector projects. Where appropriately used, PPPs deliver greater value for money and superior efficiencies when compared to traditionally procured projects. PPPs will continue to play a very important role in the development of Ireland’s social and economic infrastructure.

This IBEC PPP Council Report, *PPPs Delivering During Recession*, clearly and simply puts forward the tremendous value and opportunities which PPPs provide when used as a mainstream procurement mechanism. The Report reviews the practical results and advantages of the process and addresses many of the common misconceptions surrounding PPPs.

The core areas examined in the Report included:

- Why PPPs are used in Ireland and the case for their enhanced role during a recession;
- The many advantages of using the PPP process;
- Allaying the misconceptions and myths often levied against PPPs;
- Providing a practical explanation as to how a PPP project works, from its origins as a Government policy, to physical results on the ground;
- The successes of completed projects;
- The extensive global use of PPPs;
- Key recommendations to advance the robust PPP process in Ireland, namely:
  - Leadership on project identification;
  - Research and information flows on operating PPPs;
  - Transferability of public sector expertise.

A comprehensive list of current Irish PPP project is also provided. The list puts into perspective the broad and deep use of the process in delivering needed social and economic infrastructure to Irish society.

IBEC would like to acknowledge the work of the IBEC PPP Council members in preparing this Report. Other sources of information include that from the Confederation of British Industry (CBI), BUSINESSEUROPE, the National Roads Authority, the Railway Procurement Agency, the Department of Finance and information publicly available from private sector entities involved in Irish PPP projects.
Introduction

Ireland has an acknowledged infrastructure deficit that must be addressed. To remain competitive in the global market, the Government will be required to support the rapid development of new infrastructure and services. However, the prevailing economic difficulties are jeopardising our ability to deliver. Fortunately, there is a way to advance infrastructural development while easing the financial burden on the taxpayer and Government.

Over the past 15 years, tremendous time and effort - from both the public and private sector - have been devoted to establishing the PPP procurement process. In times of prosperity, PPPs delivered essential educational facilities, modern water and wastewater treatment works, excellent road infrastructure and vital environmental management services. These projects, used daily by the public, would not have been possible without the PPP model.

Given the recession we face, PPPs are well positioned to assist in the development of Ireland’s infrastructure and services. This in turn will have a positive impact on our economy. Looking to the economic stimulus package proposed by the European Commission, infrastructural development - that will rely heavily on the PPP process - is at the heart of the €200 billion recovery plan. This is also the case with the Irish Government’s framework plan for economic renewal.

This IBEC PPP Council Report highlights the significant advantages of PPPs, addresses the myths surrounding the mechanism and provides clear examples of the outcomes so far for PPPs in Ireland, with a particular emphasis on the national road network. The process has already allowed the Government deliver projects, which were impossible to fund through traditional procurement. During economic hardship, this aspect of PPPs should make the process even more attractive.

Ireland is now a world leader in the PPP field. The public and private sectors have built up significant organisational and intellectual capacity for PPPs, and this must not be lost. It is vital that deal-flow remains sufficient and continuous to take advantage of the powerful and effective mechanism. The time has come to deliver through PPPs. It will be Ireland’s loss if we let this opportunity slip through our hands.

Iain Salley
Chair, IBEC PPP Council
Section 1: PPPs in context

What are PPPs and why does the Irish Government use them? Section 1 answers these questions, detailing the case for a procurement mechanism that delivers value for money against the backdrop of Ireland’s major social and economic infrastructure deficit.

Ireland’s infrastructure deficit

Ireland will emerge from this recession. World markets will recover and new opportunities for prosperity will materialise. The development choices we make now will dictate whether Ireland surfaces from the economic turmoil as a moderately competitive nation or a global leader. Over the coming years, do we decide to cut infrastructure spending and save in the short term or borrow to develop that which a competitive country will need? Perhaps there is a third option. Is it possible to deliver necessary social and economic infrastructure while at the same time saving the taxpayer?

Ireland’s competitiveness as an open and dynamic economy is underpinned by the quality of our physical infrastructure. Despite our ambitions to be among the most competitive economies in the world, our infrastructure is rapidly falling behind that of comparable and competing nations.

The International Institute for Management Development has ranked Ireland in the bottom 10 of 60 developed countries examined with regard to the performance of our economic infrastructure. In the 2008 Global Competitiveness Index, the World Economic Forum concluded that Ireland’s distribution infrastructure is a “serious competitive disadvantage”. We are at the bottom of the heap and losing considerable ground to countries such as Norway, the UK, Greece, New Zealand, Portugal and the US.

If that is not enough to embolden action, based on a four-decade study of 121 countries, the World Bank found that the volume and quality of infrastructure had a direct impact on long-term economic growth and income equality. So clear was this link, the Bank stated that for developing countries, the improvement of infrastructure was to be at the top of the poverty-reduction agenda.

The 2008 IBEC Congestion Survey confirms the global view of our inadequate infrastructure. The survey, assessing the views of over 300 companies representing some 100,000 employees, points to the established and growing frustrations over the state of our infrastructure. A staggering 83% of businesses surveyed feel that Irish infrastructure is poor. Given the relationship between economic growth and adequacy of infrastructure, the IBEC PPP
Council views infrastructural development as a major priority. Ireland has an internationally acknowledged deficit that has to be addressed quickly.

**What are PPPs?**

While a number of definitions exist for PPPs, broadly speaking, a PPP is a long-term collaboration between a public authority and the private sector to deliver a public project or service. In all cases, the PPP project/service is a public asset owned by the Government and the taxpayer. Prior to PPPs, commercial relationships between the public and private sector were traditionally based on short-term, price-driven contracts for the delivery of assets and services.

PPPs combine the complementary skills of the public and private sector to deliver improved infrastructure and services, all while securing value for money for taxpayers. PPPs take different forms but they tend to share a number of fundamental characteristics including:

- **A new approach to risk:** Risks are co-managed by both partners, who agree on shared risk and rewards in advance.
- **Flexible contracting:** PPPs recognise that change happens, and give a provider the freedom to develop appropriate solutions over the lifetime of a contract.
- **More measured performance:** Providers have the incentive to shape their service more directly around user needs and to focus on continually raising standards.
- **A competitive supply chain:** Businesses are encouraged into a PPP market through the prospect of a regular flow of deals, and compete for partnership contracts by demonstrating their innovation and value for money.
- **Long relationship:** The relatively long relationship between the private and public sectors fosters strong cooperation between the public and private partners on different aspects of a planned project.
- **Different levels of business involvement:** In a PPP, the private sector can build, design and finance a project, and may also maintain and operate a facility. These stages are often referred to as Design, Build, Operate, Finance and Maintain (DBOFM).

**How PPPs can bridge the gap**

It is the responsibility of Government to ensure that services and infrastructure are available which meet the country’s needs. While it is crucial that these developments are in place ahead of demand, Government revenues are quickly dropping and our ability to spend is diminishing. In this time of financial stress, we need a procurement mechanism that yields superior value
for money, reduces risk to the taxpayer, completes projects on time and within budget, and eases the burden on exchequer expenditure.

Where appropriately used, PPPs achieve these goals and it is now time to take full advantage of the process. In a PPP, the state moves from a role of direct operator to one of organiser, regulator and controller. The PPP model allows the private sector to construct and operate state assets or services - that belong to public authorities - with the aim of improving performance and quality. The mechanism has already allowed the Irish Government deliver projects, which were impossible to fund through traditional procurement. During economic hardship, this aspect of PPPs should make the process even more attractive.

**What PPPs offer**

PPPs offer unique opportunities to provide much-needed, world-class infrastructure. The process delivers first-rate facilities on time and within budget, removes a significant amount of financial risk from the taxpayer and provides for superior maintenance and management of our national assets. PPP projects must and do meet the highest levels of accountability and transparency. PPPs are open to examination by the Public Accounts Committee and the Comptroller and Auditor General. Public sector benchmarking systems are in place to ensure value for money, and the Department of Finance have drafted detailed volumes of contractual guidelines to ensure robust PPP contracts are developed that satisfy the public’s needs.

A proven and tested mechanism, PPPs are playing a vital role in the progression of our economy. The success of the PPP system has brought a number of delegations, from several continents, to visit Ireland and discuss how PPPs can be best established in their home regions. Ireland is now one of the most advanced PPP markets globally (Figure 1) and many countries have an ambition to replicate this success. Significant commitment was required from both the public and private sectors to reach this point. Given this effort and the invaluable experiences gained, we must not lose the opportunity to take full advantage of the PPP process, particularly in more harsh economic conditions.
Section 2: Advantages of PPPs

When used to deliver key infrastructure and public service projects, PPPs offer numerous advantages. This section details the core advantages of the process.

New sources of financing

Constrained economic conditions:
PPPs will deliver exceptional value and quality regardless of prevailing economic conditions. However, when the national budget is limited, private funding offers a new way of financing expensive infrastructure. The off-balance sheet nature of PPPs can allow the Government to deliver needed infrastructure projects that may otherwise be impossible to fund.

Better value for money

Responsibility for the whole project lifecycle:
The greater efficiency and value for money of PPPs comes from a well-managed procurement process and life-cycle analysis of costs and benefits, which are not always apparent through traditional procurement methods. This ensures that a high quality facility is delivered and maintained to superior standards.

When considering the PPP mechanism, it must be proven as the best value for money option:
Any project selected for procurement through the partnership model is subject to strict public sector comparators set by Government. This is a formal appraisal where a PPP project must be deemed the best value option before any project can proceed as a PPP. The appraisals can be reviewed by the Comptroller and Auditor General and examined in detail by the Public Accounts Committee. The Comptroller and Auditor General may also examine PPP tenders before they are signed.

Combining skill sets of the private and public sector:
PPPs delivery efficiencies through integrating the design and construction of public infrastructure with a development’s financing, operation and maintenance. The partnership enables cross transfer of public and private sector skills, knowledge and expertise. PPPs allow partners to operate as a single team and provide the flexibility to re-assess targeted outcomes when circumstances change.

On time and within budget delivery:
In a PPP the private sector will only recoup the up front and massively significant financial investment if the delivery of targets is achieved as stipulated in the PPP contract. This gives providers the incentive to shape their service more directly around user needs and to focus on
raising standards. Contracted targets allow for speedy, efficient and cost effective delivery of quality projects.

**Risk Transfer**

*Protecting the taxpayer:*
A key driver in the success of PPPs is the transfer of risk from the public to the private sector. In commentary and debates on the proliferation of PPPs, the benefits that can accrue by shifting a raft of risk from the taxpayer to the private sector are too often overlooked. Once a PPP contract has been agreed and signed by both parties, should the project fall short of the mark at any stage, it is the private sector that faces the financial consequences.

*Long-term accountability leads to superior facilities:*
The level of accountability which risk transfer bestows on the private sector is the incentive to ensure a partnership project is built quickly, efficiently and designed to reflect the lifetime running costs. The private sector can ill afford to ignore this principle.

**Greater scope for personalisation and choice**

*Flexibility to meet changing demands:*
PPPs enable personalised public services that are often more responsive than those offered by the public sector. Flexible contracting allows a provider to be more creative in how it delivers a service to meet specific outcomes.

*A boost to innovation:*
A well-designed PPP contract rewards innovation. Businesses know that they will only win – and keep – public service contracts if they can enhance performance, improve efficiency and satisfy the public’s needs. As is evident through many of Ireland’s PPP projects, some of the largest and most experienced national and international firms have participated in unique joint ventures and partnership arrangements.
Section 3: Myths and facts of PPPs

In the PPP debate, a number of myths exist regarding the process which do not weigh up on closer inspection. In this section, some of the main misunderstandings associated with the PPP process are addressed directly.

MYTH: “PPP is akin to privatisation”

FACT: A PPP is not privatisation. Privatisation involves the sale of publicly owned assets to the private sector. PPPs are about the state moving from the role of direct operator to one of organiser, regulator and controller, as stated in the European Commission Green Paper on PPPs. PPPs allow the private sector to provide and operate public assets or services for a set period under a contractual agreement. The contract is constantly supervised and monitored by the public service procuring entity, allowing for significant public sector control. At the end of the contract period, the assets will revert entirely to direct public control, pending the establishment of a new PPP through a competitive process.

MYTH: “PPP involves a loss of control by the public sector”

FACT: The public partner in a PPP can exercise control through the PPP contract. Outcome-based payments to the private partner ensure both control and efficiency. Sanctions can be levied if the provider does not deliver to agreed standards and/or timelines. If the contract between partners sets adequate performance criteria for the private entity and if risks have been shared realistically, then the public partner should find it easier to enforce a better quality of service for taxpayers. That is because the roles of both partners are set precisely. The public entity is thus less likely to find itself in a conflict of interests as both a representative of the needs of users and as a provider of those services used.

MYTH: “In a PPP, the private sector picks the most profitable parts of a public service and abandons the rest”

FACT: Under a PPP, the specifications of the service to be delivered are set by the public partner prior to engaging in the procurement process. These specifications can include the provision of a service in situations that are not “profitable”. If the contract specifies that non-profitable parts of a public service must be provided, abandoning them would constitute a breach of contract.

MYTH: “PPP projects cost more than those financed by the public sector”

FACT: As stated previously, PPP projects are subject to strict ‘public sector comparators’. This is a formal appraisal which must determine that a PPP is the best value for money option before
any project can proceed. To ensure that value for money is achieved there must be a clear justification for the project and a competitive procurement process. The value for money assessment will involve a number of different elements. How these elements are employed will vary from project to project.

**MYTH:** “Service standards decline when they are delivered outside the public sector”  
**FACT:**  
The opposite is true. Public authorities are not subject to performance requirements in the same way as private partners are. In the UK, independent studies on user satisfaction with PFI projects (the most common form of UK PPP) demonstrate a consistently high proportion of positive user views for both service facilities and the way services are delivered. Annual company performance reports are commonly required to be published that detail publicly the service and maintenance targets set by contract and whether the targets were met by the private sector.

Cooperation between the different sectors brings together skills and ideas in designing and developing better services for the end user. Bids for public service delivery must provide taxpayers with value for money, but this does not necessarily mean opting for the cheapest tender. It is all about the best long-term option and the focus must remain on quality.

**MYTH:** “Public sector borrowing is cheaper than private sector borrowing; PPPs are more expensive than traditional public services”  
**FACT:**  
The Government can borrow more cheaply than the private sector, but determining value for money is not simply about comparing interest rates. Any additional costs of borrowing are more than offset by the private sector: taking on the risk of construction costs, time overruns and project performance; using their ability to innovate; making more efficient use of resources.

**MYTH:** “PPPs often fail”  
**FACT:**  
Partnership projects are safe and secure. As already seen, any project selected for procurement through the partnership model is subject to strict public sector comparators set by Government to assess value for money. It is important to reiterate that these appraisals can and have been reviewed by the Comptroller and Auditor General and examined in detail by the Public Accounts Committee. The Comptroller and Auditor General may also examine PPP tenders before they are signed. This is a very significant level of accountability and ensures a partnership project is built quickly, efficiently and designed to reflect the lifetime running costs.
As with any project though, failure can happen. If a PPP does fail, Government and public authorities have recourse to a number of options. The state can fine the private sector operator for not delivering on agreed outcomes, re-tender the contract to bring in a better private operator or take the service/project back in-house as a last resort. These options dealing with underperformance or failure are a real improvement on traditional public sector contracts. With that said, PPP projects have an incredibly strong track record. They are three times more likely to come in on time and ahead of budget when compared to projects procured in the traditional manner.

Nevertheless, there are lessons to be learnt from unsuccessful PPPs. It is important that risk be apportioned in a realistic manner. The private sector should only be expected to endorse risk that it understands and masters. For instance, expecting the private partner to endorse the impact of unannounced changes in policy or legislation would be unrealistic.

Both parties must possess matching abilities to understand the complexities and challenges inherent to the project being discussed. This will avoid an unbalanced capacity when managing the procurement process. It is also key that parties prepare for the possibility of changing circumstances that may alter the delivery of the service procured. Guidance should be formulated in the contract to allow solutions emerge in such situations.

**MYTH:** “Profit is incompatible with public services”

**FACT:**
Profit acts as an incentive to change and helps fulfil customer needs. It is the most efficient mechanism available to distribute market signals through the economy. Profit is compatible with a public service ethos. It is simply compensation for taking on risks that were traditionally carried by the state. Profit can deliver efficiencies as providers seek innovative ways of delivering public services that reduce cost without damaging quality. In addition, the public purse can benefit from profit sharing in PPP projects.

**MYTH:** “Risk transfer is exaggerated - most risks stay with the public sector”

**FACT:**
Optimal risk allocation means that risk is borne by those best able to manage it. In a PPP, the private sector usually assumes at least construction, delivery, financial and operating risk. The public sector retains only those risks which it is best able to manage, such as political risks.
Section 4: How do PPPs work?

The PPP road schemes as a practical example of policy to results

Context of the PPP road schemes: how they emerged

On the 1st of June 1999, the then Minister for Finance, Charlie McCreevy TD, announced three pilot PPP national road projects to be delivered by the National Roads Authority (NRA):

1. N25 Waterford By-Pass;
2. Limerick Southern Ring Road Phase 2;
3. The second bridge at the West-Link on the M50.

These projects were pilot schemes, with the dual purpose of delivering needed infrastructure and gaining practical experience of how Government and the private sector could work in partnership. The pilot schemes were shortly followed by the commitment in NDP 2000-2006 for a further €1.27 billion of private finance to be secured for the delivery of a suite of national routes. This represented some 23% of the total planned road investment programme under the NDP 2000-2006. It was the task of the NRA to determine which road projects would be delivered as PPPs.

In June 2000, the NRA identified nine national roads projects to be procured as PPPs. Three of these are now open, all delivered ahead of time and within budget:

1. The M1 Dundalk Western Bypass (opened in September 2005, 5 months ahead of schedule);
2. The M4 Kilcock-Enfield-Kinnegad Bypass (opened in December 2005, 10 months ahead of schedule);
3. The M8 Rathcormac-Fermoy Bypass (opened in October 2006, 8 months ahead of schedule).

The remaining six PPP projects are currently underway, with all projects expected to be completed on time by 2010.

The NRA’s PPP programme resulted in the securing of €2.1 billion of private sector funding for national roads. According to the NRA “this [the PPP road scheme] reflected the importance attached by Government to securing the injection of private finance in order to accelerate the delivery of the public capital programme designed to remedy Ireland’s infrastructural deficit. Without the injection of additional private finance, progress in the roads programme would be substantially delayed and deficiencies, which threaten regional development and economic growth, would fail to be addressed.”
The structure of a PPP road project

For Irish PPP road projects to date, the private sector have largely been responsible for the design, build and finance of the road as well as the road’s operation and maintenance over a defined period of time (usually 30-40 years). The typical responsibilities of the private sector in a PPP road contract, as stated by the NRA, include:

**Design**
- Complete the full detailed design of all elements of the road project.
- Carry out necessary structural assessments at various stages throughout the concession period (i.e. the period of time for which the private sector will be responsible for the road).

**Build**
- Construct all the works.
- Assume responsibility for ground conditions, archaeological monitoring and resolution, utility relocations and landscaping.

**Finance**
- Raise finances for the scheme and take the responsibility for all the repayments.
- Carry the risk of cost over-runs.
- *Irish PPP road schemes are funded by and large through road tolls, with limited to no exchequer/taxpayer funding used to deliver, maintain and operate the roads. The common misunderstanding is that taxpayers using tolled PPP roads are paying on the double. This is simply no the case.*

**Operate**
- Manage the road in terms of safety, traffic management, information to the road user, oil spillages and accidents.
- Operate the tolling system to the required levels of service and upgrade it as necessary to match demand.

**Maintain**
- Maintain the road pavement, structures, landscaping, signs, lining, lighting, safety barriers, fencing and all other aspects of the road.
- Carry out comprehensive winter maintenance including patrols, precautionary salting, and snow clearance.

**Re-invest**
- Prior to hand-back to the public sector at the end of the concession, upgrade all the facilities as necessary (e.g. road re-surfacing, re-lining) in order to provide the required residual life for the road.
In regard to the road structure, the private sector company is to hand it back with a further 10 years of life before any structural strengthening would be required.

Management of toll revenues and profits

An accusation often levied against toll roads is that super profits are made by the private sector. This is fundamentally wrong. A contractual agreement is established detailing the maximum revenue that the private sector can recoup from the operation of a toll road. Should traffic volumes through the route increase beyond expected levels, mechanisms are in place for the private operator to give excess revenue back to the Government. This mechanism prevents windfall profits being made and ensures a cap on private sector profits.

Conversely, should traffic volumes drop below expected values, it is the private sector that is exposed to the lost revenue. In such a scenario of lower than expected traffic, the private sector has financed a road that is not paying for itself. The private sector will suffer and the taxpayer is protected. It should also be noted that as the occupiers of rateable premises, such as toll facilities and booths, the private sector operator in a PPP toll road scheme will pay commercial rates to a local authority. In addition, the private sector will pay corporation tax to the state on profits made and VAT on non-recoverable receipts.
Section 5: A selection of completed PPP projects

A significant number of PPP projects are currently under development (as will be seen in Section 8). The collection of completed projects, however, is more limited. In Section 5, the successes of three PPP projects, open to the public and representing over €1 billion of investment, are highlighted through the words of Ministers, Councillors and public sector managers.

Dundalk Western Bypass

The N1/M1 Dundalk western bypass PPP runs for 11 km and opened on the 26th of September 2005. It is a 30-year concession contract funded entirely by tolls. No taxpayers money was used to build the bypass. The road was delivered 5 months ahead of schedule and well within budget. Had it been procured in the traditional manner the road would have cost the taxpayer €340 million. Included in the PPP contract was the construction of an additional 8 km of side roads, and the operation and maintenance of the additional 42 km of the motorway and associated toll booths.

At the opening of the bypass, former Minister for Transport, Martin Cullen TD said: “This is the first of a new tranche of Public-Private Partnerships schemes to be completed. Its construction, at no cost to the taxpayer, and its opening five months ahead of schedule highlight the critical importance of Public-Private Partnerships in the delivery of much needed road infrastructure”. The Louth County Manager of the time, Ms. Martina Moloney, stated that: “This important piece of infrastructure places Dundalk, a designated Gateway town, in a further position of strength on the Dublin-Belfast corridor to support employment in key sectors of the economy such as service, industry, construction, and tourism. It will greatly benefit road safety, reduce journey times and improve the quality of life for Dundalk residents and gives the town of Dundalk a wonderful comparative advantage in the area of its accessibility and attractiveness for investment and as a great place to live.”

M4/M6 Kilcock - Kinnegad Motorway

The M4/M6 project involved the construction of 39 km of motorway from Kinnegad to Kilcock and is an extension of the Kilcock-Maynooth-Leixlip motorway on the N4/N6 Sligo/Galway to Dublin route. The PPP contract was awarded in March 2003.
The total cost of the project was €550 million. The state contributed €152 million, with the rest coming from private finance. For €152 million, the state now owns a €550 million road that they would have been unable to deliver under traditional procurement mechanisms. The road was delivered 10 months ahead of schedule and within budget.

At the road’s opening Cllr. Mark Nugent, the then Cathaoirleach of Westmeath County Council commented: “This impressive new Motorway linking Kilcock to Kinnegad is a very welcome addition to County Westmeath. It will enhance the County’s potential as a destination for tourists to visit and for businesses to locate in. It will also improve the quality of life for local people by providing quicker and safer journeys and an alternative road to the existing N4 which will stay open alongside the new motorway. I congratulate all those involved in the planning, design, construction and delivery of this motorway.”

Cllr. John McGinley, former Mayor of County Kildare, added: “The M4/M6 Motorway is a good example of the public and private sectors working together to deliver quality infrastructure ahead of schedule and within budget.”

The National Maritime College, Cork

The National Maritime College of Ireland (NMCI) opened it doors on the 11th of October 2004, on time and within budget. The College, costing some €52 million is, according Minister Mary Hanafin T.D. speaking at the opening ceremony “one of the most sophisticated centres for maritime education in Europe, with specialist equipment and simulation facilities that are truly top-class”. The NMCI is a constituent college of Cork Institute of Technology (CIT) in a partnership with the Irish Naval Service and Focus Education Ltd. It was the first third level institution delivered through PPP in Ireland.

The College caters for the education and training needs of the merchant navy, the non-military training requirements of the Naval Service and provides a broad range of training services for the maritime industry. Focus Education Ltd. is the private partner with responsibility for facilities management at the College. Specialist spaces including survival facilities, seamanship and shipwrights’ workshops, fire fighting/damage control, jetty and lifeboat facilities, and an
engine room. The College also provides specialised simulation equipment in the areas of navigation, bridge training, communications, engineering-machinery operations, liquid cargo handling/damage control and vessel traffic systems.

It has 19 classrooms, each with a capacity ranging from 20 to 50 students and a staff complement of 60 drawn from both CIT and the Navy. According to Minister Hanafin “one of the main attractions of the PPP process is that it allows the College management and staff to concentrate on their core management and academic duties and not the day to day operation of a building”.

Under the terms of the agreement Focus Education Ltd. will provide a range of facilities management services that includes building maintenance, cleaning, security, grounds maintenance and specialist equipment support. The principal of “everything works” applies under the PPP process. This means the private sectors contractor is obliged to ensure classrooms, laboratories, specialist equipment, heating and lighting are all available every working day during the twenty-five year PPP contract.
Section 6: Global use of PPPs

Internationally, PPPs have been developed in the following areas:

- Transport (roads, railways and airports);
- Utilities (electricity, gas, water, sewage and telecoms);
- Amenities (lighting, social housing and accommodation);
- Health and social services;
- Research, development and innovation;
- Education.

The trend in establishing PPPs throughout the globe is very similar: steady improvement, learning from mistakes and overcoming initial hostility to developing new and innovative ways of involving the private sector in public services. Some flagship international PPP projects include:

- Development and management of tolled tunnels in Hong Kong;
- Construction of prisons in the United States;
- Delivery of driver examination systems in Ontario, Canada;
- €1.3 billion worth of road projects in Belgium;
- €1.2 billion worth of rail infrastructure in the Netherlands;
- 185 new and refurbished health care facilities in the UK.

PPP are recognised globally as a successful procurement mechanism. Several international institutions including the World Bank and the OECD are actively supporting the use of PPPs for the development of infrastructure. In fact, many governments are now obtaining funding and expertise from the World and European Investment Banks for PPP projects. The OECD, in their *Infrastructure 2030* report, note that PPPs can be a valuable mechanism in addressing many of the global deficits in telecommunications, electricity transmission and water services infrastructure.

Over the past decade, the number of developed and developing countries that use PPPs as a preferred financing scheme for infrastructure projects has increased significantly and the PPP market continues to grow. According to the World Bank “there is a wide spectrum of reasons as to why governments are seeking such partnerships. However, the main goal is to achieve value for money and to deliver better quality of services for the same amount spent by the public sector. A second but not less important set of reasons is the desire to provide increased infrastructure provision and services within imposed budgetary constraints by utilizing private
sources of finance via off balance sheet structures, and to accelerate delivery of projects which might otherwise have to be delayed."

Recognising the value of PPPs in delivering needed infrastructure, the World Bank established the Public-Private Partnership Initiative to support those nations wishing to harness the procurement mechanism. This Initiative provides capacity-building learning events in all aspects of the PPP project cycle, including:

- Prioritisation and selection of PPP projects;
- Institutional structuring;
- Legal and contractual frameworks;
- Project financing;
- Risk management economics;
- Regulation and competition.
Section 7: Key recommendations to advance the PPP process

While Ireland is a leader in the PPP field, a number of issues remain that if overcome will significantly advance the process. The key issues to be addressed and potential solutions are detailed in this section.

Leadership on project identification

- PPPs need a champion and a lead manager within the public administration. One model would be for a more visible and sustained leadership role to be given to the Department of Finance in terms of major project identification across the spectrum of economic and social services.

- At a certain point, the projects emerging would follow the normal routes of policy analysis and evaluation. It would not mean that projects coming from such a process would be PPPs. It would, however, give a wider pitch for PPP options to evolve. The developmental role of the Department of Finance would be enhanced and should be encouraged. A continued and consistent role out of PPP projects is needed to sustain the excellent expertise developed in Ireland over the past decade.

Research and information flows on operating PPPs

- Research and information campaigns should be developed on the working out of "live" PPPs in Ireland.

- A better overview and evaluation would be obtained if the Comptroller and Auditor General and the Public Accounts Committee focussed on PPPs after a number of years of actual operational performance, and developed a methodology that would capture all the socio-economic benefits of PPPs.

Transferability of public sector expertise

- The extension of the role of the National Development Finance Agency (NDFA) as a “Centre of Expertise” is an important additional instrument for furthering the relevance and development of PPPs. In the medium term, successful implementation of project procurement and delivery across a spectrum of infrastructure and service areas may well impact in a significant way on public policy itself. This happened with the IDA in the 1970s and 1980s when its perceived operational success in industrial development reinforced the chosen policy.
In carrying through its role successfully, there will have to be balanced dialogue between the NDFA and departments. To this end, it will be important to promote:

1. A management capacity in line departments on the PPP process equipped to relate effectively with the NDFA;

2. Opportunities for transferability across the public service, state agencies and the NDFA, and measures to guarantee succession planning inside departments.
Section 8: PPP Project Tracker

The following is a detailed list of PPP projects and services currently underway/operational (Table 1). This list, sourced from the Government’s PPP website, highlights the broad and deep role played by PPPs in developing important social and economic infrastructure in Ireland. The latest Project Tracker available is that from September 2008. Changes to specific projects will have occurred since that date. The Tracker is published approximately every three to four months by the Department of Finance.

Table 1: PPP Project Tracker, published on the 19th September 2008 (source: www.ppp.gov.ie)

<table>
<thead>
<tr>
<th>Department</th>
<th>Project Name</th>
<th>Project Summary</th>
<th>Project Classification</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Roads Authority</td>
<td>N4 Kilcock- Kinnegad</td>
<td>The project involves the construction of 39 km of motorway from Kinnegad to Kilcock and is an extension of the Kilcock-Maynooth-Leixlip motorway on the N4/N6 Sligo/Galway to Dublin route.</td>
<td>Concession</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>N25 Waterford Bypass</td>
<td>The project consists of a By-Pass of Waterford City to include a new river crossing and a cable stay bridge. The project also includes a new connection, known as the Western Link, which connects the By-Pass to industrial areas to the South West of the City and links the N9 and N24 to the Grannagh Interchange. The scheme construction includes approx. 23 km of dual carriageway and 14 km of single carriageway.</td>
<td>Concession</td>
<td>Construction</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>N7 Limerick Southern Ring Phase II / Limerick Tunnel</td>
<td>The project will comprise of approx. 10 km of standard dual carriageway and 4km of single carriageway and will incorporate a 900m tunnel under the River Shannon</td>
<td>Concession</td>
<td>Construction</td>
</tr>
<tr>
<td>Department</td>
<td>Project Name</td>
<td>Project Summary</td>
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<td>Current Status</td>
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<tr>
<td>National Roads Authority</td>
<td>N1/M1 Dundalk Western Bypass</td>
<td>The project involves the construction, operation and maintenance of an 11 km stretch of road forming part of the N1/M1 together with approx. 8 km of associated side roads and tie-ins. The project also includes the operation and maintenance of existing motorway with an approx. length of 42 km.</td>
<td>Concession</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>M3 Clonee-Kells</td>
<td>The project involves the construction of a 50 km stretch of motorway/dual carriageway, and 11 km of single carriageway. The scheme also involves construction of a further 24 km of link road.</td>
<td>Concession</td>
<td>Construction</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>N6 Galway to East Ballinasloe</td>
<td>The scheme extends 57.6 km comprising of 56 km of dual carriageway and 1.6 km of single carriageway</td>
<td>Concession</td>
<td>Construction</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>M50 2nd West-Link Bridge</td>
<td>This bridge opened in September 2003. The new twin bridge increased the number of lanes to three in each direction.</td>
<td>Concession</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>M7 Portlaoise-Castletown/M8 Portlaoise-Cullahill</td>
<td>Both sections of this scheme to be procured as a single scheme have an approx. length of 42 km</td>
<td>Concession</td>
<td>Construction</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>M50 PPP Upgrade</td>
<td>The M50 Upgrade PPP Contract is intended to comprise the design, construction, operation and finance of the upgrading of approx. 24 km of the existing two lane carriageway to three lane standard and the upgrading of interchanges.</td>
<td>DBFOM*</td>
<td>Construction</td>
</tr>
</tbody>
</table>

* DBFOM = **Design, Build, Operate, Finance, Maintain**

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<table>
<thead>
<tr>
<th>Department</th>
<th>Project Name</th>
<th>Project Summary</th>
<th>Project Classification</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Roads Authority</td>
<td>N8 Rathcormac-Fermoy Bypass</td>
<td>This project involves the construction of an 18 km stretch of road incorporating a Blackwater crossing viaduct.</td>
<td>Concession</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>National Roads Authority</td>
<td>Motorway Service Areas - Tranche 1</td>
<td>Tranche 1 tender competition is intended to comprise the design, construction, operation and financing of three service areas on the national roads network. Two service areas will be located on the M1 motorway and one on the M4 motorway. Each service area will either have facilities on both sides of the motorway or will be accessible from both sides of the motorway.</td>
<td>Concession</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>Courts Service</td>
<td>Criminal Courts Complex</td>
<td>Circa 22 court criminal justice building with all user facilities</td>
<td>DBFOM</td>
<td>Construction</td>
</tr>
<tr>
<td>Courts Service</td>
<td>Courts bundle</td>
<td>Bundle of County town primarily new build projects</td>
<td>DBFM</td>
<td>Detailed Appraisal inc. PPP Procurement Assessment</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>Pilot PPP Schools Bundle</td>
<td>Design build finance and operate five new post-primary schools</td>
<td>DBFOM</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>National Maritime College of Ireland (NMCI)</td>
<td>Design build finance and operate college for nautical training at Ringaskiddy, Co. Cork</td>
<td>DBFOM</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>Cork School of Music (CSM)</td>
<td>Design build finance and operate School of Music in Cork City</td>
<td>DBFOM</td>
<td>Ongoing Contract Management</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>New Post-Primary Schools and Primary Schools</td>
<td>4 new post-primary schools (Bundle 1)</td>
<td>DBFOM</td>
<td>Tender Evaluation incl Value for Money Comparison</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>New Post-Primary Schools and Primary Schools</td>
<td>5 new post-primary schools and 1 new primary school (Bundle 2)</td>
<td>DBFOM</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>Department</td>
<td>Project Name</td>
<td>Project Summary</td>
<td>Project Classification</td>
<td>Current Status</td>
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</tr>
<tr>
<td>Department of Education and Science</td>
<td>Third Level projects</td>
<td>6 new buildings in four 3rd Level Institutions (Bundle 1)</td>
<td>DBFOM</td>
<td>Drafting the Public Sector Benchmark</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>Third Level projects</td>
<td>6 new buildings in two 3rd Level Institutions (Bundle 2)</td>
<td>DBFOM</td>
<td>NDFA Assistance</td>
</tr>
<tr>
<td>Department of Education and Science</td>
<td>Third Level projects</td>
<td>4 new buildings in three 3rd Level Institutions (Bundle 3)</td>
<td>DBFOM</td>
<td>NDFA Assistance</td>
</tr>
<tr>
<td>Department of Health and Children</td>
<td>HSE -National Network for Radiation Oncology</td>
<td>The project consists of 4 large centres in Dublin, Cork and Galway and satellite centres in Waterford and Limerick. The plan will provide sufficient capacity to fully meet national population cancer incidence requirements.</td>
<td>DBFOM</td>
<td>NDFA Assistance</td>
</tr>
<tr>
<td>Arts, Sport and Tourism</td>
<td>National Conference Centre</td>
<td>Project to provide a National Conference Centre in Dublin, using design build finance maintain and operate</td>
<td>DBFOM</td>
<td>Construction</td>
</tr>
<tr>
<td>Arts, Sport and Tourism</td>
<td>Abbey Theatre</td>
<td>Redevelopment of National Theatre at Georges Dock, Dublin on a build, finance and maintain basis following a separate international design competition</td>
<td>DBFM</td>
<td>Appointing Client Advisers</td>
</tr>
<tr>
<td>Arts, Sport and Tourism</td>
<td>National Concert Hall</td>
<td>Redevelopment of National Concert Hall at Earlsfort Terrace, Dublin 2, on a Design, Build, Finance, Maintain basis</td>
<td>DBFM</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>Office of Public Works</td>
<td>Decentralisation</td>
<td>Provision of office accommodation for Government's Decentralisation Programme in Portlaoise, Mullingar &amp; Carlow</td>
<td>DBFM</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>Office of Public Works</td>
<td>Decentralisation</td>
<td>Provision of office accommodation for Government's Decentralisation Programme in Drogheda</td>
<td>DBFM</td>
<td>Appointing Client Advisers</td>
</tr>
<tr>
<td>Department</td>
<td>Project Name</td>
<td>Project Summary</td>
<td>Project Classification</td>
<td>Current Status</td>
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<tr>
<td>Irish Prison Service/Department of Justice Equality and Law Reform</td>
<td>Mountjoy Complex Relocation</td>
<td>Relocation of the Mountjoy prison complex to a green field site at Thornton Hall, North County Dublin</td>
<td>DBFM</td>
<td>Tender Evaluation incl. Value for Money Comparison</td>
</tr>
<tr>
<td>Irish Prison Service/Department of Justice Equality and Law Reform</td>
<td>Munster Prison Complex</td>
<td>Development of Male Adult and Female Adult prison</td>
<td>DBFM</td>
<td>Preliminary Appraisal</td>
</tr>
<tr>
<td>Department of Transport/Railway Procurement Agency (RPA)</td>
<td>Metro North</td>
<td>Metro running from St. Stephen's Green to Swords via Dublin Airport. Total Length 18 km.</td>
<td>DBFM</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>Department of Transport/RPA</td>
<td>Metro West</td>
<td>Metro running from Tallaght to Ballymun Total Length 34 km.</td>
<td>DBFM</td>
<td>Detailed Appraisal inc. PPP Procurement Assessment</td>
</tr>
<tr>
<td>Department of Transport/RPA</td>
<td>Lucan Luas</td>
<td>Luas line from city centre to Lucan</td>
<td>DBFM</td>
<td>Preliminary Appraisal</td>
</tr>
<tr>
<td>Department of Environment, Heritage &amp; Local Government (DEHLG)</td>
<td>Fatima Mansions redevelopment</td>
<td>The project is the redevelopment of Fatima Mansions under a PPP arrangement.</td>
<td>DBF</td>
<td>Construction</td>
</tr>
<tr>
<td>DEHLG</td>
<td>O’Deveney Gardens redevelopment</td>
<td>The project is the redevelopment of O’Deveney Gardens under a PPP arrangement.</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>SE Region Joint Waste Management Plan</td>
<td>The scheme will be for the provision of infrastructure to cater for the waste generated in the SE region</td>
<td>DBF</td>
<td>Detailed Appraisal inc. PPP Procurement Assessment</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Dublin Waste to Energy Scheme</td>
<td>This scheme will extract energy from the incineration of municipal waste.</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Redevelopment of Greystones Harbour Area</td>
<td>The scheme involves the redevelopment of the harbour area of Greystones. The development will include residential and commercial units, redevelopment of the harbour, provision of a marina, sea defences on the south beach and other social infrastructure.</td>
<td>DBF</td>
<td>Construction</td>
</tr>
<tr>
<td>Department</td>
<td>Project Name</td>
<td>Project Summary</td>
<td>Project Classification</td>
<td>Current Status</td>
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<tr>
<td>DEHLG</td>
<td>Redevelopment of Bray Harbour area.</td>
<td>The development will consist of residential and commercial units, redevelopment of the harbour including the provision of a marina</td>
<td>DBF</td>
<td>Preliminary Appraisal</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Infirmary Road, Affordable Housing Initiative</td>
<td>Development of affordable housing, under the AHI</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Redevelopment of St Michaels Estate Inchicore</td>
<td>Development of Social, Affordable and Private housing units</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Jamestown Road Development</td>
<td>Development of affordable housing, under the affordable housing initiative</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Dominick Street redevelopment</td>
<td>Redevelopment of Dominick Street flat complex, comprising 120 Social and 193 market rate housing units</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Bridgefoot Street redevelopment</td>
<td>Redevelopment of Bridgefoot Street flat complex, comprising 60 affordable units and Market rate units</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Croke Villas Dublin</td>
<td>Development of Social and Private housing units</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Ballinode Housing development</td>
<td>Development of Social, Affordable and Private housing units on greenfield site</td>
<td>DBF</td>
<td>Procurement Process</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Magee Barracks Kildare</td>
<td>Development of Magee Barracks Kildare Town. Scheme to comprise 350 affordable, 50 social and 200 private units</td>
<td>DBF</td>
<td>Compile Output Specifications</td>
</tr>
<tr>
<td>DEHLG</td>
<td>St Teresas Gardens Redevelopment</td>
<td>Redevelopment of St. Teresas Gardens on a 9.5acre site</td>
<td>DBF</td>
<td>Establishing Project Structure</td>
</tr>
<tr>
<td>DEHLG</td>
<td>Grange, Clondalkin</td>
<td>Development of 85 acre site for social, affordable and private housing</td>
<td>DBF</td>
<td>Compile Output Specifications</td>
</tr>
</tbody>
</table>