



Public Private Partnerships: Water in Australasia

PECC

Peter McVean

Veolia Water Australia

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Scope

A thick blue wave-like graphic that starts on the left, rises to a peak, and then tapers off towards the right, spanning across the top of the slide.

- Where have we been and where are we heading?
- What have we learned along the way?
- Illustrate by reference to some Veolia Water projects.

Characteristics of Water PPPs in Australasia

- Not a UK type model of privatised water companies and regulator: instead, government corporations responsible for water/wastewater services and the interface with the regulator.
- PPPs are at the next level – regulated by contract.
- No single model – range of project types (BOO, BOOT, DBO, Delegated Management, Concession) – approx. 25 PPPs in total.
- Currently not finance driven – more about risk sharing, technology, accessing expertise in project and program delivery.
- This is due to a combination of factors: political acceptability; availability of public finance; project type and size.
- May change in the future given investment requirements of ageing networks and if drought continues.

Veolia Water in Australasia



United Water: Adelaide

**15-year O&M contract
Water and wastewater**



VWA: Wyuna Water, NSW

**25-year BOO contract
Drinking water**



VWA: Aqua - Bendigo

**25-year BOOT contract
Drinking water**



UW: Papakura, NZ

**30-year concession contract
Water and wastewater**



VWA: Noosa, Qld

**15-year DBO contract
Drinking water**



VWA: Gerringong Gerroa

**20-year BOO contract
Wastewater**



UW: Wellington, NZ

**15-year O&M contract
Wastewater**



UW: Thames Coromandel

**10-year O&M contract
Water, wastewater & stormwater**



UW: Ballarat, Vic

**25-year O&M contract
Drinking water**



UW: Ballarat Small Towns

**20-year O&M / BOOT contract
Drinking water**



UW: Ruapehu, NZ

**2-yr (+ 2 x 4-yr) O&M contract
Drinking water**

What Have We Learned?

- Ensure genuine and viable business opportunity – a major issue with reuse schemes.
- Sensible risk allocation is needed for sustainable partnerships. Risk allocation is not about maximum transfer but optimal allocation and ongoing risk management.
- Government needs to decide on input based versus output/performance based – avoid trying to have it both ways.
- Clear and practical contractual requirements, but recognise ultimate public answerability will always rest with government.

What Have We Learned?

- Respect the contract but be open to win-win evolution. Flexibility needs to be built into contracts if they are to promote continuous improvement and value for money over time as performance is proven and trust develops.
- Private sector needs to share the upside.
- Need for integrated system management and management of interfaces.
- Approach R&D as a positive tool to focus on local and operational needs; improve risk management; anticipate future needs / demands and identify new areas for potential PPP.

Wyuna BOO

- Single purpose company for 25-year contract to Build, Own and Operate two water treatment plants for Sydney Water serving up to 500,000 population.
- Capacities: 210,000 and 160,000 cu.m/day.
- Veolia Water shareholding 30% with 100% of operation.
- Total capex: A\$182m.
- Plants commissioned in December 1996 and April 1997.



Sydney Water and Veolia Water Joint Mission

By optimising the total water system we will deliver safe, reliable and high quality treated water to the people served by the Illawarra and Woronora systems.

In doing so, we will meet or exceed operating license requirements and the expectations of our customers.

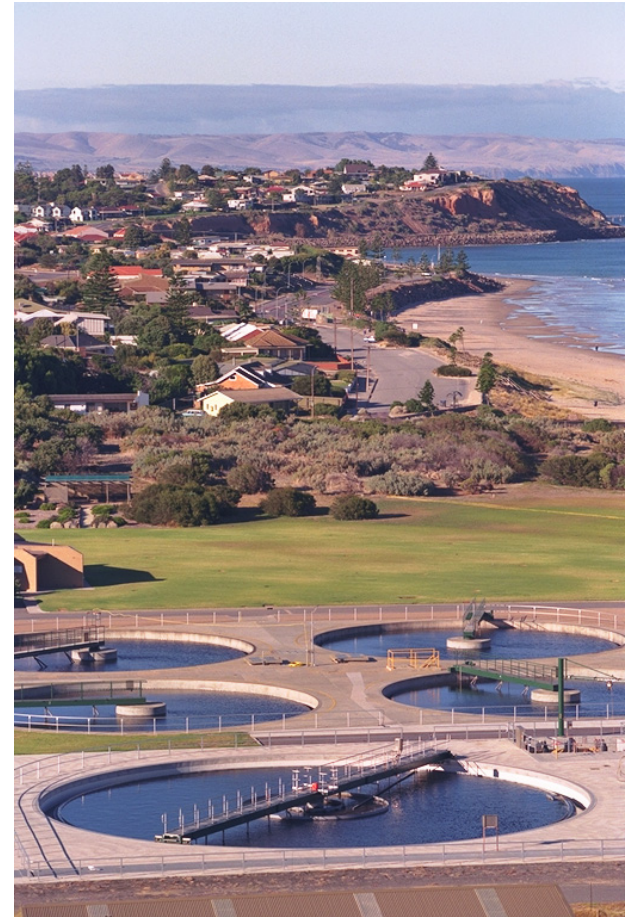
Coliban Aqua BOOT

- BOOT project for Bendigo region in Victoria.
- 25-year operation.
- Three plants, largest 126,000 cu.m/day (100,000 pop.).
- All membrane plants including new technology of immersed membranes in the largest plant.



Adelaide Delegated Management

- 15 year delegated management contract in Adelaide (1.1m pop.) with 400 employees.
- Management, operation and maintenance of entire water and wastewater systems (including upgrades and extensions):
 - 6 water treatment plants (50,000 to 850,000 cu. m/day).
 - 9,000 km of water mains and 400,000 connections.
 - 6,000 km of sewers and 360 pump stations.
 - 4 wastewater treatment plants (25,000 to 165,000 cu. m/day).



Perth Desalination Project

- Alliancing contracting approach adopted for project delivery (actual costs will be reimbursed based on agreed Direct Target Cost with overhead and margin at risk).
- Six groups shortlisted based on Expression of Interest, then shortlist of two selected after workshops with the client (to ensure competitive DTC).
- Tender cost figure included with EOI – both shortlisted teams paid this by the client.
- Both teams now developing detailed tender working closely (but independently) with the client. Client has representative working inside each team.
- Evaluation based only partly on price.

Infrastructure or Operational Model?

- In water, Australia started with Infrastructure Model (PPP as 'policies which encourage the use of private sector financing for major public infrastructure') and has moved more towards the Operational Model.
- But, not full privatisation and only limited leases / concessions; instead, DBO and Alliance contracts.
- This has been due partly to availability of public finance for investment – need to recognise that the situation is different in other countries.
- Solutions need to be worked out in accordance with local context: varied and flexible financing methods, combining public and private sources

Public Private Partnerships

Partnerships are not created by the PPP contract but by the attitude and understanding of the people who implement them.

Partnership requires a climate of mutual respect, trust and “give and take”.

Where this exists, both sides benefit.

PPP: A Clear View, PwC UK, 2001