



## **Discussion Paper 2: Public Private Partnership (PPP)**

**A Response by**

**The Australian Academy of Technological Sciences and  
Engineering**

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## **DISCUSSION PAPER 2: PUBLIC PRIVATE PARTNERSHIP (PPP)**

### **SUMMARY**

The Academy is pleased to comment on Discussion Paper 2: Public Private Partnership.

The pace of investment in Australia is being impeded by:

- Complex planning and approval processes;
- Shortage of engineers and other competent professionals with experience in the sector; and
- Failure to recognise risks and allocate these realistically.

The Academy supports a high level study covering the following:

- Reasons for failure of Public Private Partnership (PPP)
- Risk allocation;
- National harmonisation of approaches to PPP;
- Resolution of the conflict between transparency and commercial-in-confidence issues.

The Australian Academy of Technological Sciences and Engineering<sup>1</sup> (ATSE) welcomes the opportunity to provide a submission on Discussion Paper 2: Public Private Partnerships (PPP).

Private investment in infrastructure is a proven alternative to public funding across the whole spectrum of infrastructure. While there have been many successful PPP developments in Australia, there have also been some notable failures. Lessons should be taken from these.

The growth in Australia on which we depend for our wellbeing and lifestyle will increasingly be limited by poor infrastructure, and while adequate finance may be available from both government and private sources, the pace of investment is being impeded by

- Complex planning and approval processes;
- Shortage of engineers and other competent professionals with experience in the sector; and
- Failure to recognise risks and allocate these realistically.

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<sup>1</sup> ATSE, founded in 1976, is an independent, non-government organization, consisting of more than 750 eminent Australian Fellows that promotes the development and adoption of existing and new technologies that will improve and sustain our society and economy.

All these factors are important and must be addressed, but failure to understand and allocate risks to the party best able to manage them is a major impediment in development and hampers innovation. Examples of the risks which the contractors within PPP are obliged to assume are provided in a paper delivered to the ATSE National Symposium<sup>2</sup>, entitled "New Technology for Infrastructure – The World of Tomorrow" in November 2006 by Mr Bill Wild, Chief Operating Officer of Leighton Group and a Fellow of the Academy.

Mr Wild notes that there is misunderstanding *"about risk, who takes it, who pays for it and who profits from it."* It is noteworthy that Mr Wild concludes *"notwithstanding the problems I complain about with PPPs, I must say that they are important and even crucial elements in the delivery of the infrastructure needed by this country."*

A notable difficulty faced with PPP is the conflict between transparency, which the Academy supports as the key to good governance in the public sector, and commercial confidence relating to contracts. This needs to be resolved, but it may be that the PPP proponents need to accept that transparency is paramount.

### **Recommendations:**

The Academy supports a high level study covering the following:

- Reasons for failure of PPPs (and are there any common causes?);
- Risk allocation to the implementation team responsible for the delivery of infrastructure, aimed at freeing up resources to concentrate on efficient national planning delivery and operation of infrastructure ;
- National harmonisation of approaches to PPPs;
- Resolution of the conflict between transparency and commercial-in-confidence issues.

The Academy further emphasises that an overarching imperative is the need to increase the pool of professionals who can plan, implement and manage infrastructure by recognising the importance of mathematics, science and technology in school curricula.

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<sup>2</sup> ATSE (2006), *New Technology For Infrastructure – The World of Tomorrow*, 2006 National Symposium (Sydney), Australian Academy of Technological Sciences and Engineering, Melbourne