



PPP v.s. Public Procurement

How to decide?

Agenda

- Why PPPs
- Why not PPPs
- How to Decide

Why PPPs?



Value

Risk Transfer

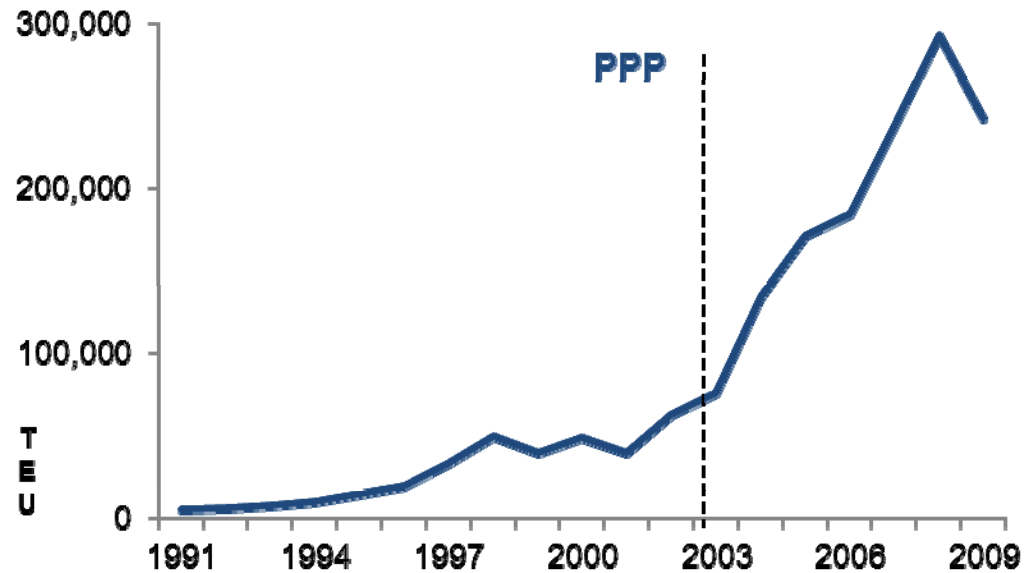
Whole-of-life Cost

Asset Utilization

Innovation

Container Terminal PPP

Port of Suape, Brazil



Source: Castalia



Value



Mass Rail Transit

Manila,
Philippines



Public (LRT 2)

100% over-run

54 month delay

30% of forecast

Cost

Delivery Speed

Ridership

PPP (MRT 3)

3% over-run

On-Time

70% of forecast

Why not PPPs?

Costs of Risk and Transaction

Mexican Toll Road PPP Bailout

Concessions Defaulted

Cost: \$5-12 billion



Chile Concessions

50 Contracts

78 renegotiations

Cost: \$2.3 billion

35% above initial investment

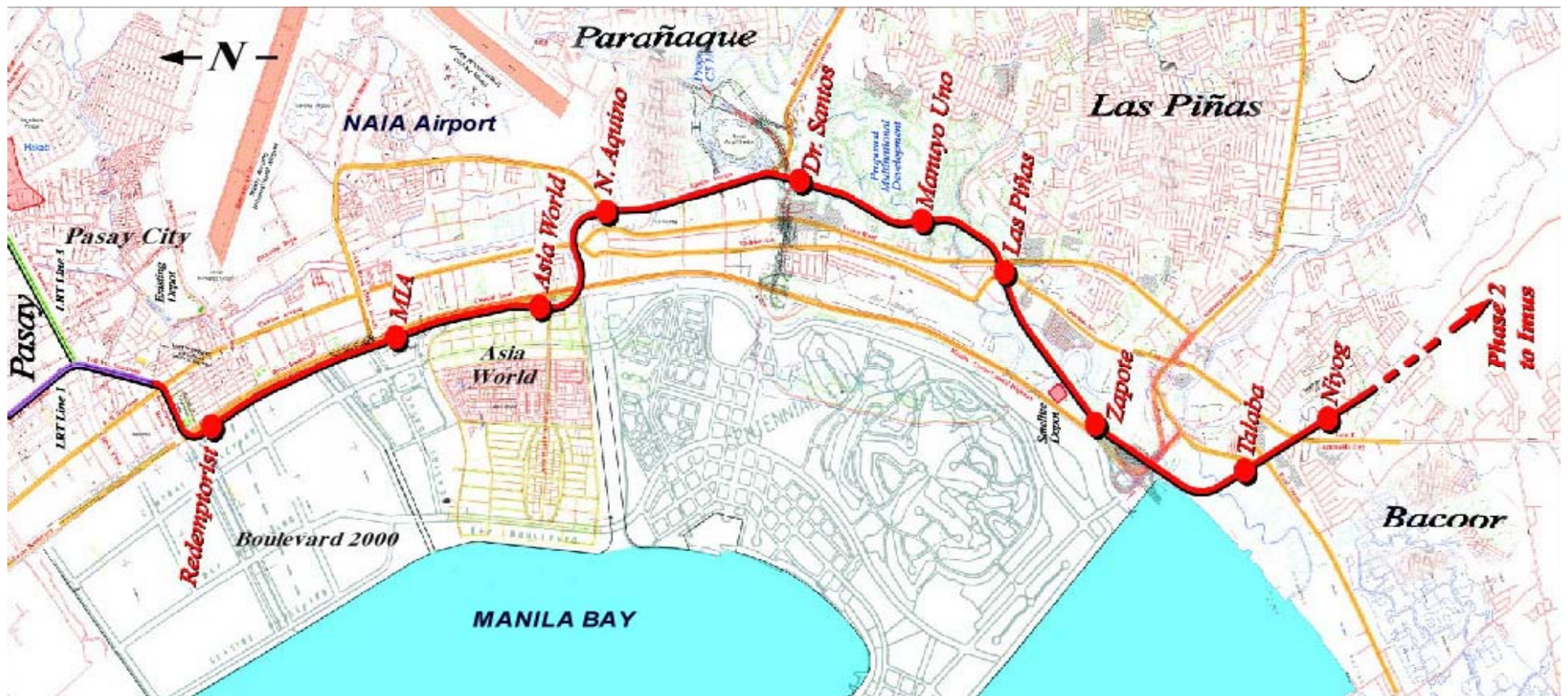
How to Decide?



*Option that
delivers the most
value for money*

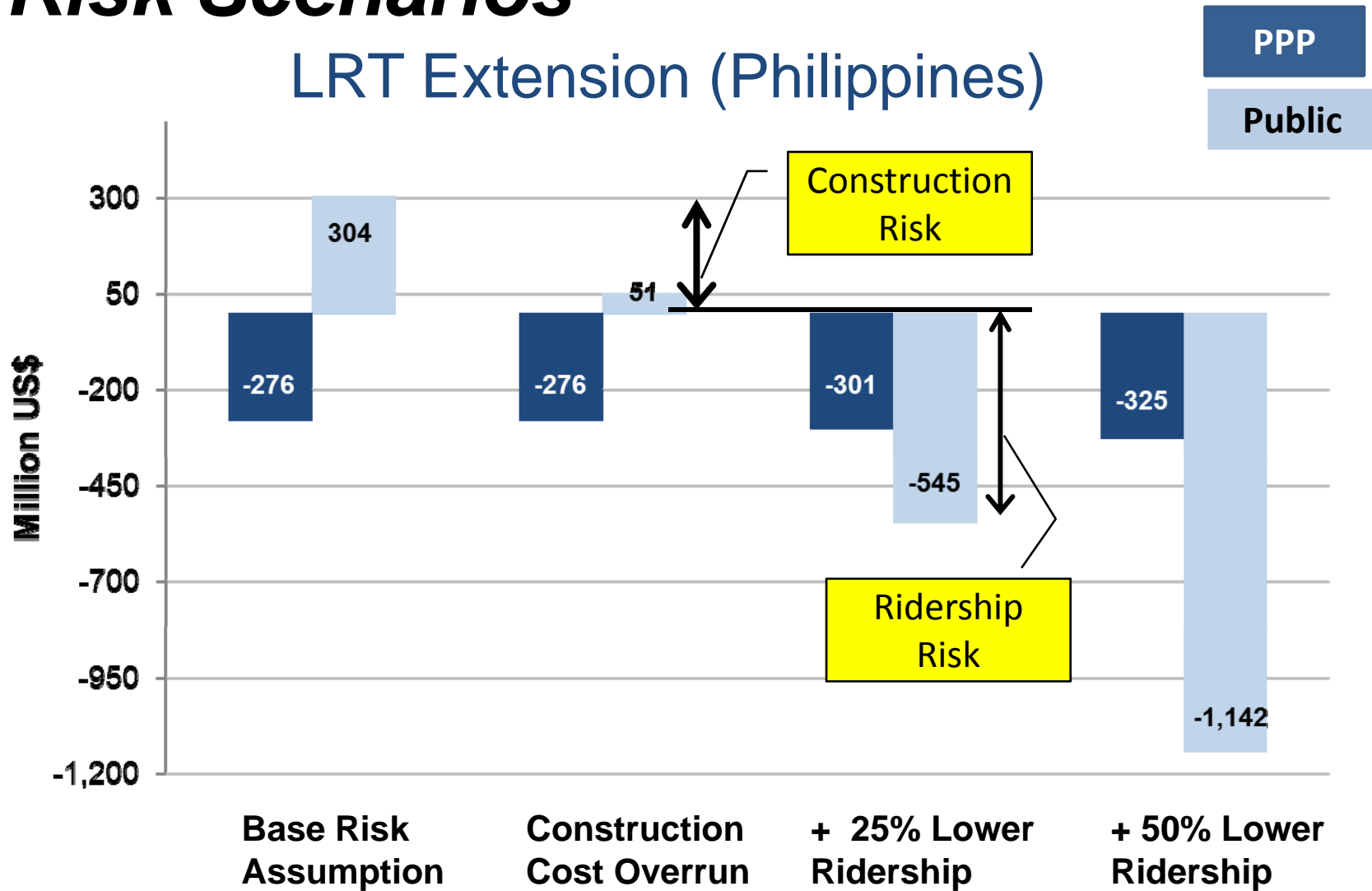
Light Rail Train Extension—Philippines

- 11.7 km of trackway
- 8 stations, 1 satellite depot
- Acquisition of additional LRVs



NPV Cash Flows to Government— Risk Scenarios

LRT Extension (Philippines)



Schools—New Zealand



- **Design, build, finance, maintain**
- **2 schools**

Goals: Increased cost transparency and focus on education

NPV Benefits & Costs of PPP over Current Public Procurement

Primary & Secondary Schools

New Zealand

NPV

Benefits	Increased competition	5.5
	Asset utilization	0.7
	Efficiency	1.2
Costs	Transaction costs	-6.7
	<i>Net Benefit of PPP</i>	0.7

Key Points

PPPs can create
value

Risk Transfer
Whole-of-life cost
Innovation
Asset Utilization

**Risk and Transaction
Costs** can detract from
value

Transaction Costs
Contract re-negotiation
Government Bailouts

*Assessing the **value** of PPP and Public options could inform the decision of which to pursue or how to structure*

Examples of approaches to assess value are:

Risk Adjusted Scenarios

Benefits and Costs Comparison