

CLAYTON UTZ

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Bidding Processes

Professor Doug Jones AM

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Overview

- The position at the moment
- Will the structure of the transactions change?
- The Australian PPP family
- Is there an appetite for different models?
- Key issues for the process

The position at the moment

- Economic infrastructure
 - Toll road documentation relatively standardised
 - Interactive bidding processes well developed
 - Evaluation based on detailed documentation
 - Differing approaches on bid costs

The position at the moment (2)

- Social infrastructure
 - Smaller deals
 - Project definition some times an issue for the timetable
- Preferred bidder negotiations
 - Uniformity of principles but not necessarily documentation
 - Closure times longer than economic infrastructure

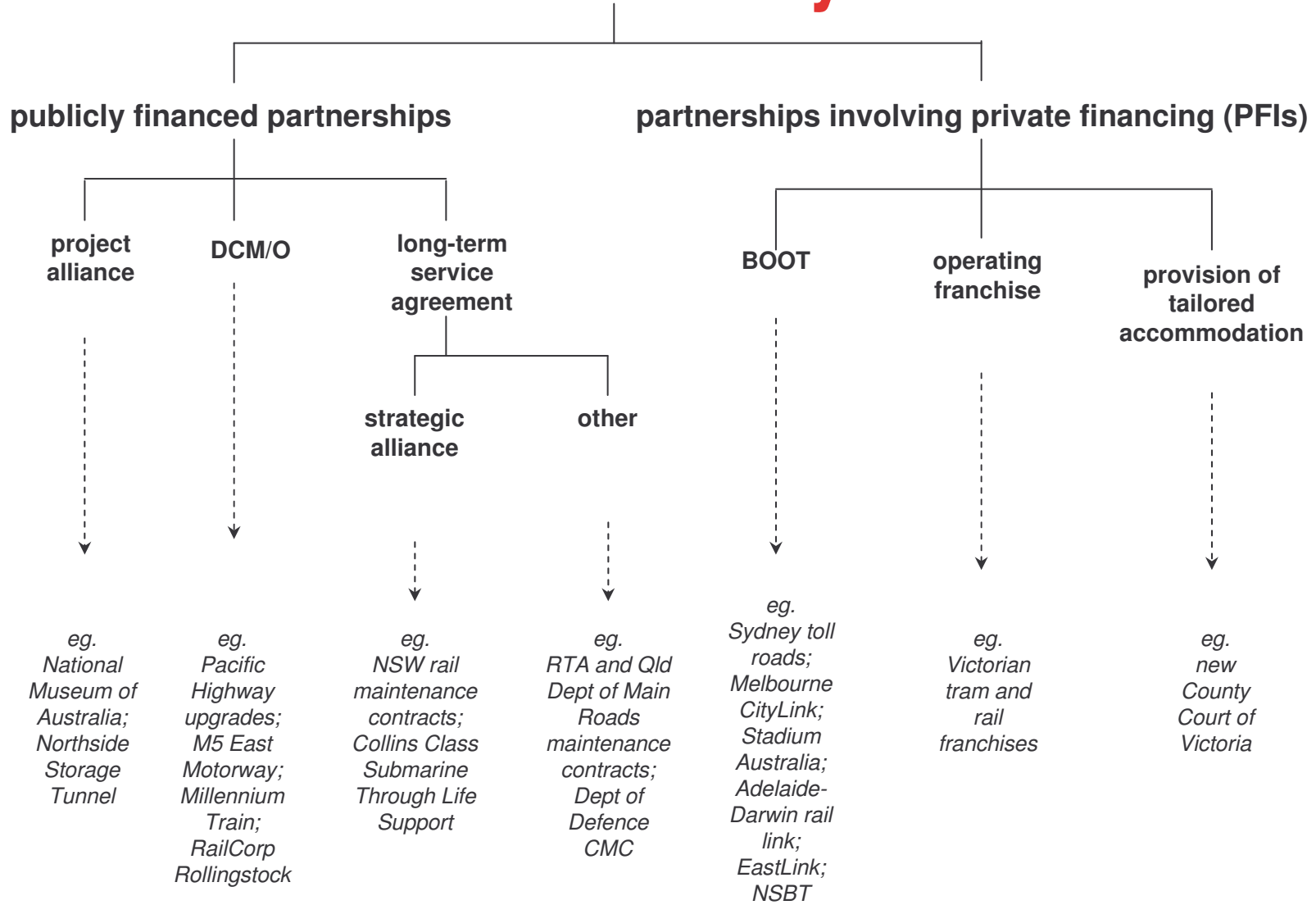
Will the structure of the transactions change?

- Current market issues impacting bids
 - Projects increasing in both size and complexity
 - Result is an increase in bid costs
 - Reimbursement of bid costs by Government only in very limited circumstances
 - Changes to the debt market
 - Harder to source capital
 - Limited validity periods for debt

Will the structure of the transactions change? (2)

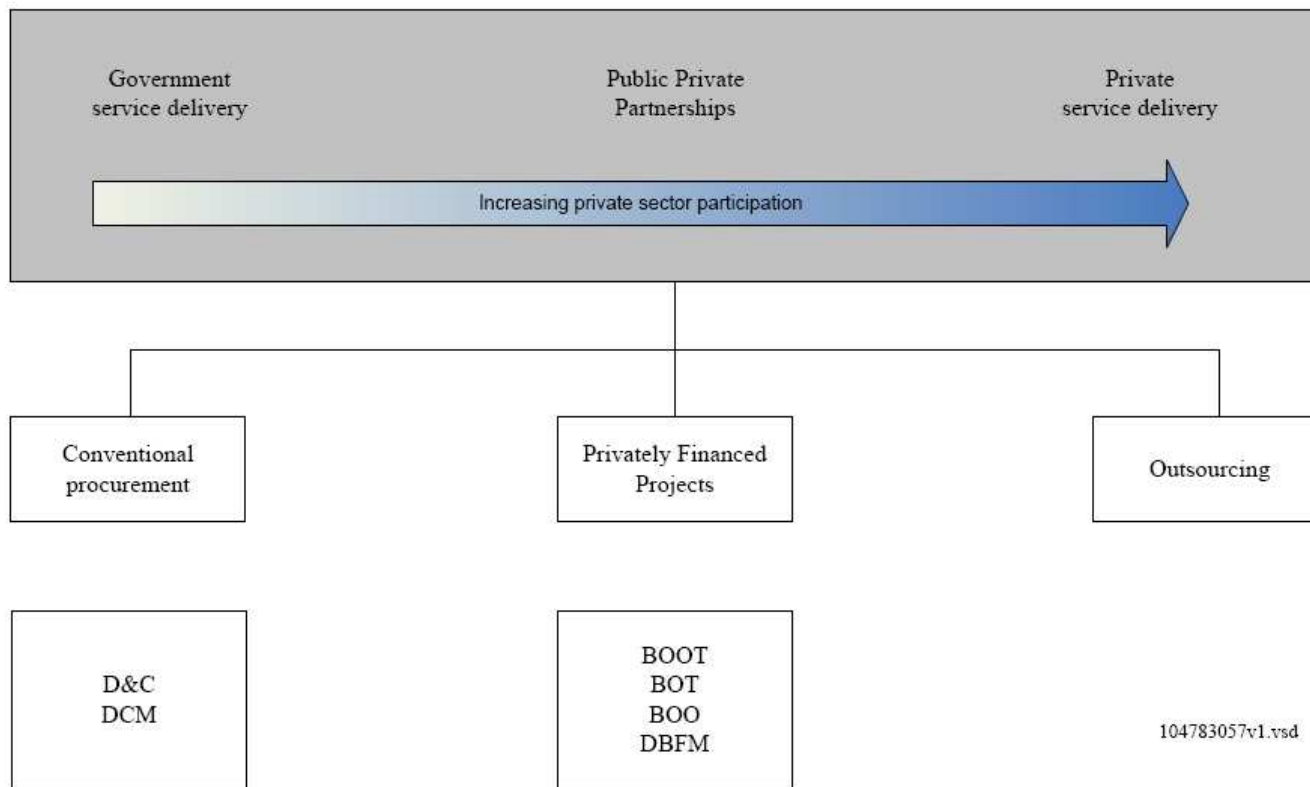
- Innovation required to handle the risks of size, cost, time and an unstable debt market
 - Important to match the deal to the market
 - Partnerships between government and the private sector are moving from ad hoc progression to a more directed approach under a growing culture of flexibility and innovation on the part of government

The Australian PPP Family



The Australian PPP Family (2)

Public Service Delivery Spectrum



Is there an appetite for different models?

- Increased demand for Hybrid models
 - Improve affordability, competition, and flexibility
- Supported debt model
 - Financing variant of the 100% privately funded PPP model under which the government refinances a proportion of the project debt during the projects operations phase
 - Trialled in QLD Schools PPP

Is there an appetite for different models? (2)

- Competitive Partnering
 - Several private sector partners are appointed separately, in competition with each other
 - After the first phase of work responsibilities are shifted from weaker to stronger performers
- Need to lower bid validity periods
 - Staggering of bid assessment

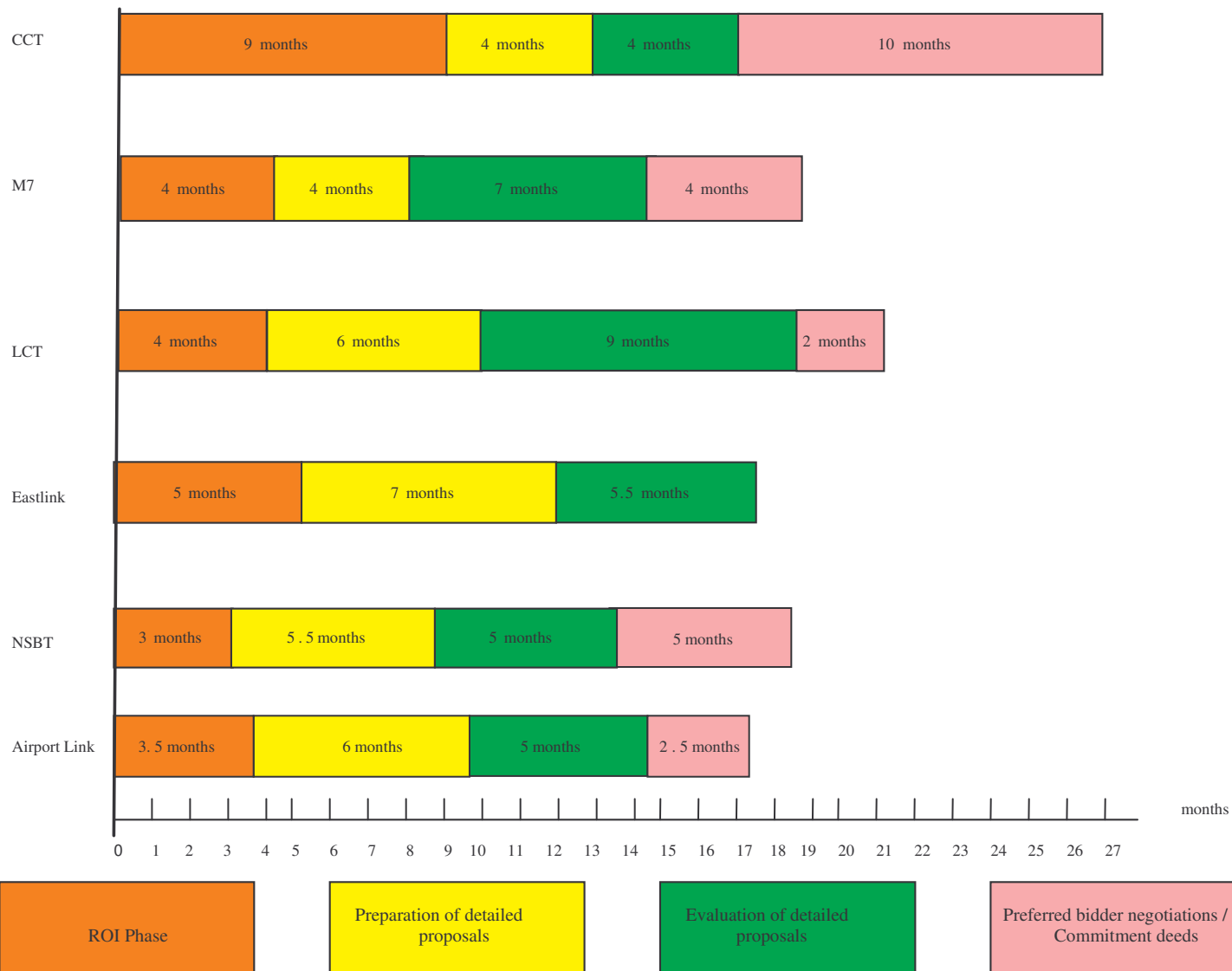
Is there an appetite for different models? (3)

Deal closure times

- A shorter process overall may reduce tender costs (to govt and private sector) in the long run
- Recent Sydney and Melbourne examples of quick, certain, effective processes that reduce deal creep
 - Cross City Tunnel
 - Westlink M7
 - LCT
 - Lane Cove Tunnel
 - EastLink
 - Airport Link

Is there an appetite for different models? (4)

Deal closure comparison (2)



Key issues for the process

- Clear project definition and Government objectives
- A fused graduated process rather than two stages?
- Compliance with project timelines
- Contribution to bid costs?

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