

# The Future of PPCs in Hong Kong

Harbour Business Forum

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L A W Y E R S

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# Outline of presentation

- Recap of PPCs
- Barriers to PPCs in Hong Kong
- The Future of PPCs in Hong Kong

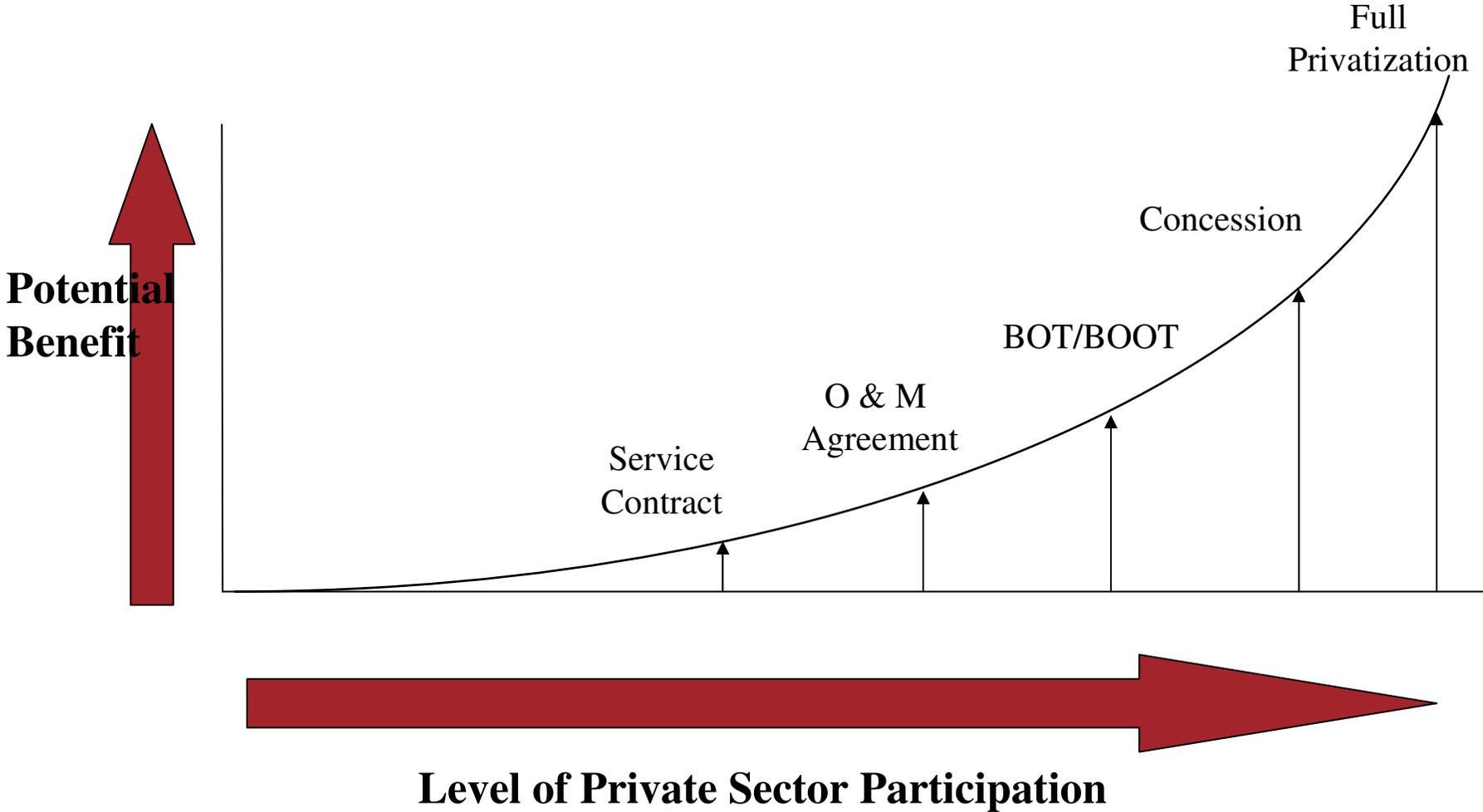


## Recap: What is a Public Private Co-operation?

***'An arrangement where the public sector contracts to purchase quality services from the private sector on a long-term basis so as to take advantage of private sector management skills and disciplines by having private sector capital at risk'***



# Various forms of PPC = Different levels of PSP



## Key features of a Traditional PPC

- Private sector responsibility
- Provision of a service
- Emphasis on 'outputs' not 'inputs'
- No service → no payment
- Incentives and abatements
- Long term in nature



## Why are PPCs so popular?

- Private sector innovation and know-how
- Optimal risk allocation
- Value for money
  - Whole of life costing
  - Better outcomes for public
  - On-time and on-budget
- Reduced Government resources
- Increased efficiency



## Some disadvantages

- Longer procurement period
- High transaction costs
- Reduced public sector employment
- Fear factor
  - Loss of control
  - New and different



## Barriers in Hong Kong

- HK Government surplus
- Recurrent expenditure
- Government procurement policy
- Need for speed
- Global Financial Crisis

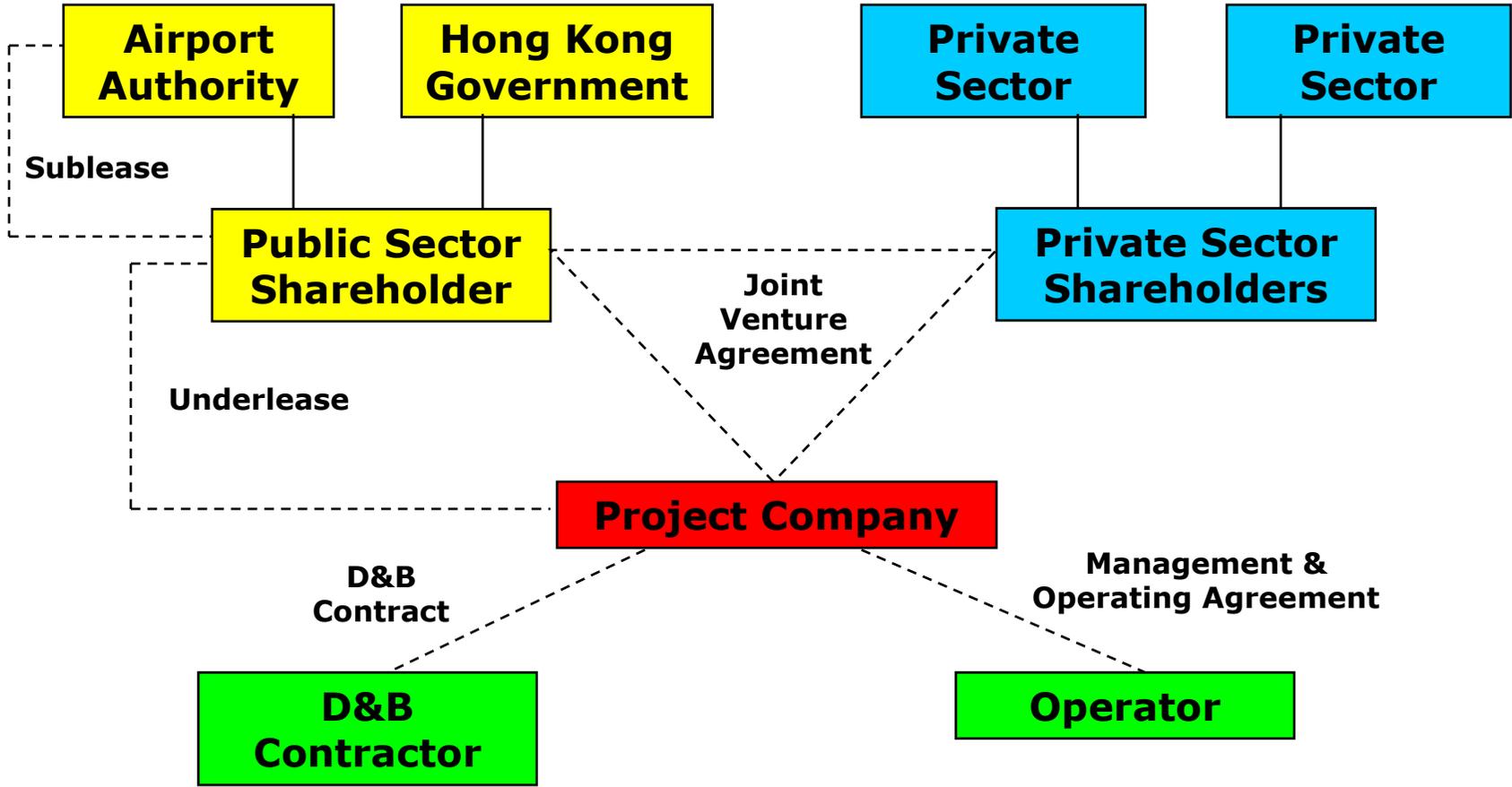


# PPC track record in Hong Kong

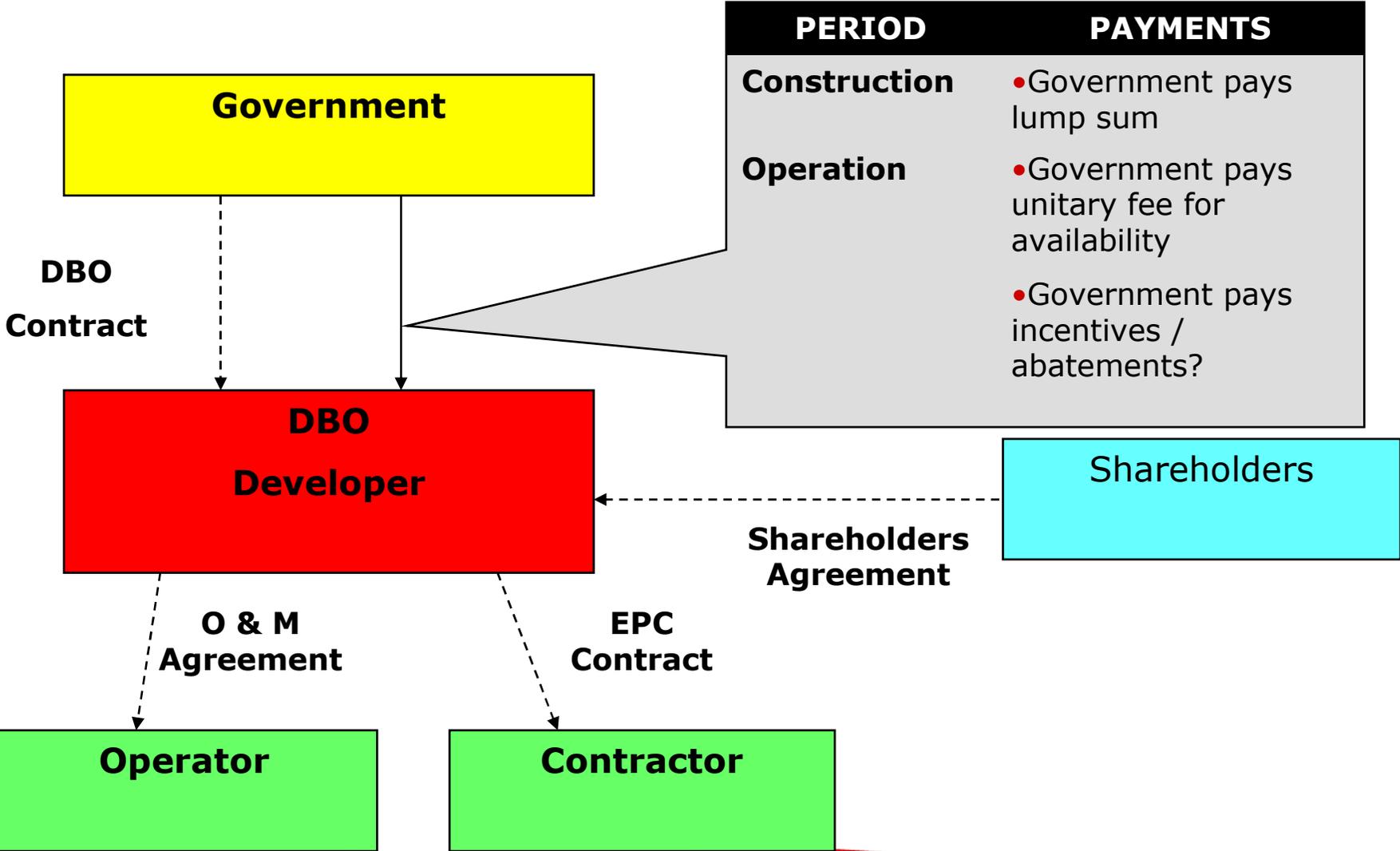
- Not new in Hong Kong
- But only a few
  - Tunnels
  - AsiaWorld-Expo
  - SkyCity Hotel



# Project structure of AsiaWorld-Expo



# A prevailing option - Design-Build-Operate (or DBO)



# Where could this model have been used?



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# PPC in context – The HK Harbourfront



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# PPC in context – HK Harbourfront

- Examples from Australia
  - King Street Wharf
  - Barangaroo
- PPC Models for HK Harbourfront



# King Street Wharf



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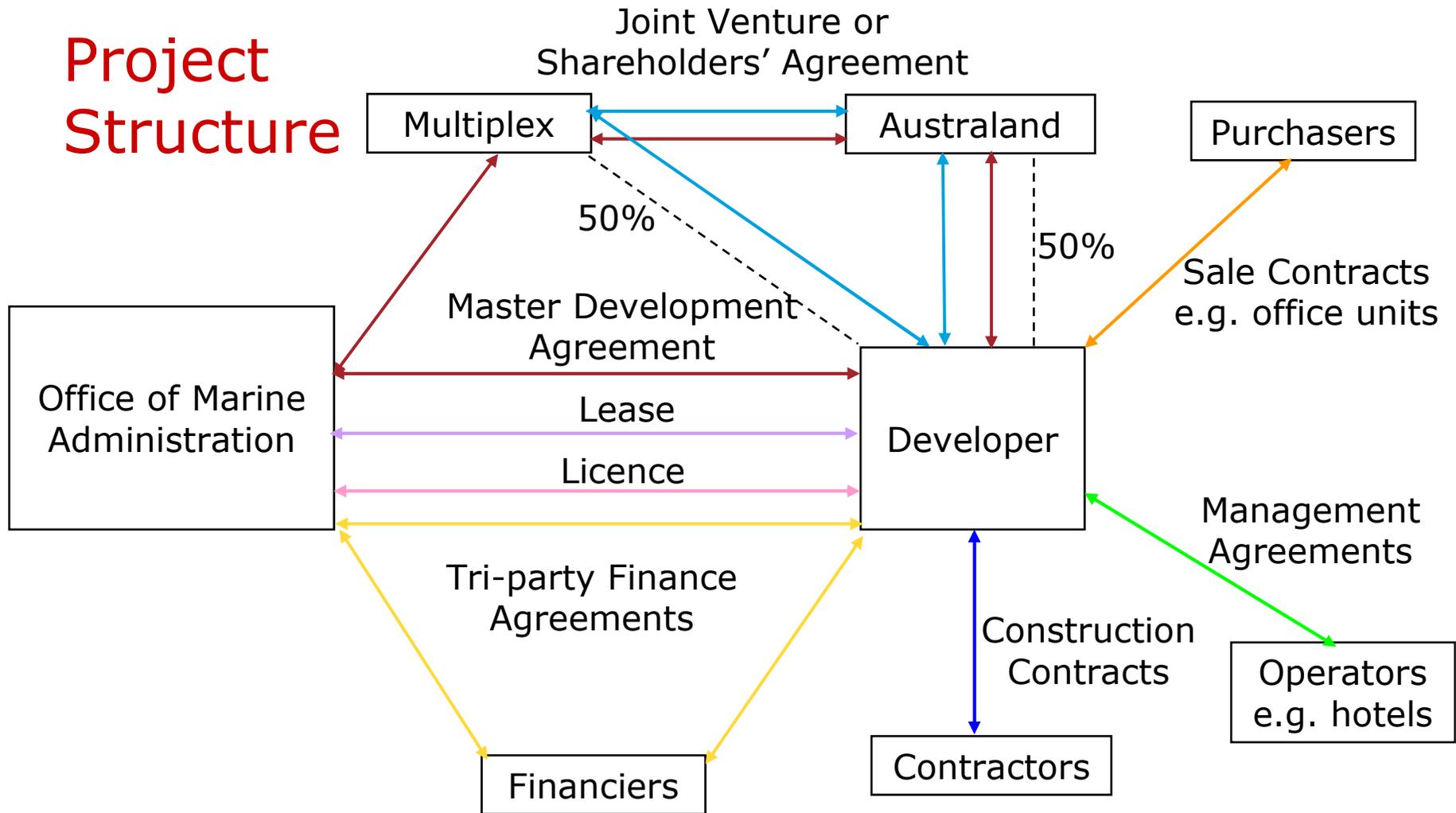


# King Street Wharf

- Procurement process:
  - EOI
  - Call for detailed proposals (1997)
    - 9 parcels of land
    - developed in 4 different phases
    - same tender process
    - can participate in some or all phases
    - security deposit payable on submission of proposal
  - Selection of preferred bidders
  - Single developer consortium won the bid



# Project Structure



----- ownership

↔ contractual relationship



# Development rights

- Price adjustment for development rights
- 10 to 99 year long term leases
- The Authority owns the promenade but the developer develops and maintains it
- Cafes along the waterfront
  - internal - lease
  - external – licence



## Assessment criteria

- Development parcel options
- Concept plan
- Financial offer
- Financial feasibility
- Risk allocation and risk management strategy



## Assessment criteria (cont.)

- Relevant experience to develop and operate similar project
- Technical and financial capability
- Organisation details
- Overall development programme
- Management plan



# Barangaroo



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# Barangaroo

- Procurement Process
  - EOI
  - request for detailed proposals to shortlisted bidders
  - selected 2 preferred bidders
  - selected the successful bidder



# Barangaroo – Stage 1

- Development rights:
  - Blocks 1 – 4;
  - Public domain, e.g. promenade
- 99 year lease
- Authority to own and manage public domain



# Barangaroo

- Special features:
  - Climate Positive Development Program
    - carbon neutral, water positive and generate zero waste
  - Design competition
  - Detailed marketing and promotion plan for the waterfront area

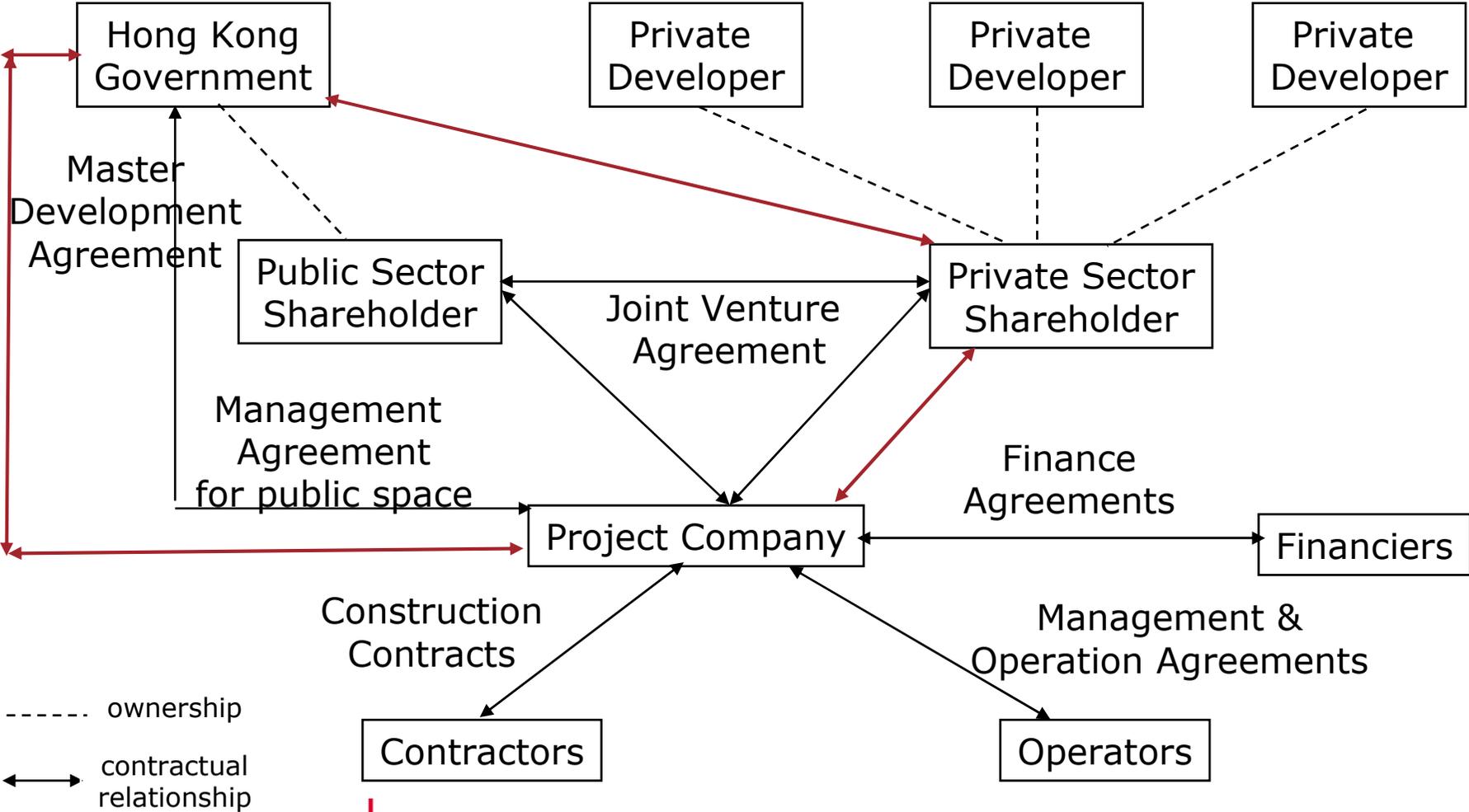


# Issues for the Central Harbour Project

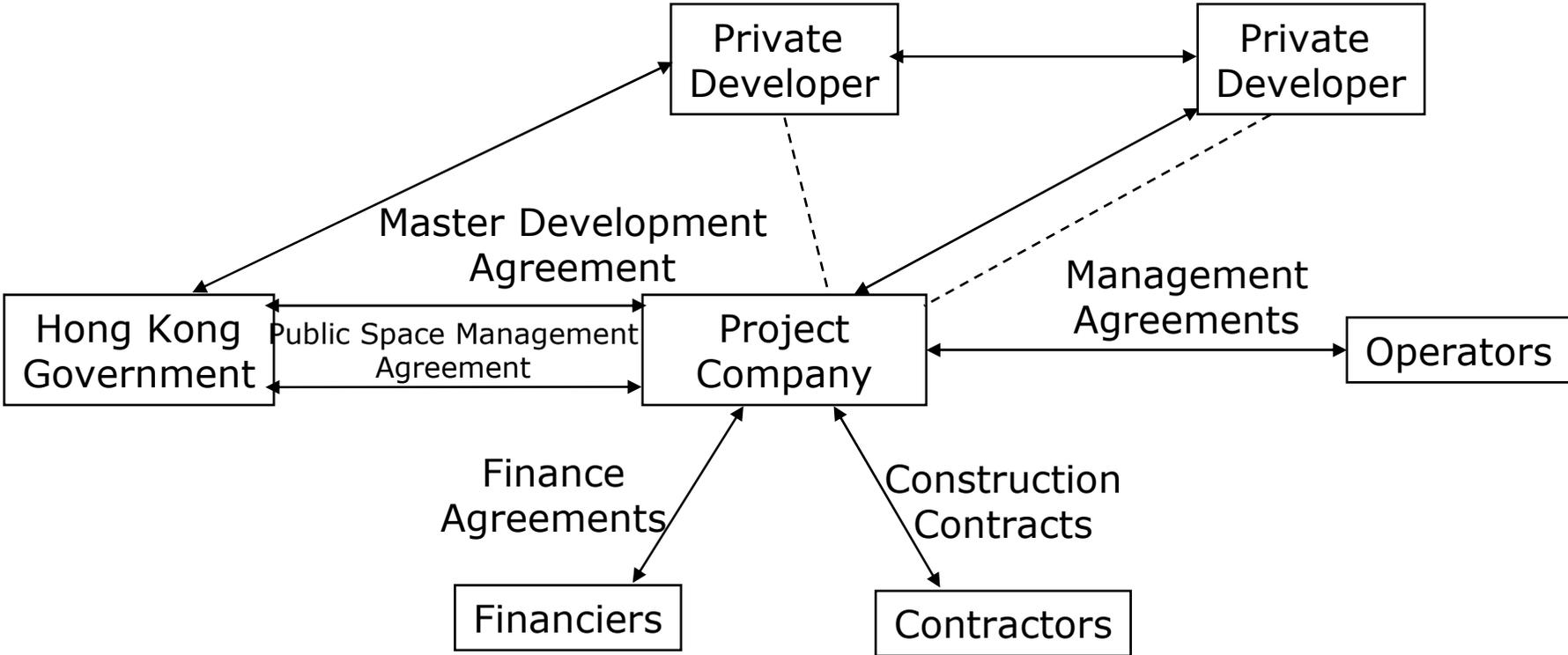
- Size of potential sites
- Sites not ready at the same time
  - all sites can still be tendered out at the same time
  - land to be released in phases
- Prime land to a single developer



# Proposed models for the Central Harbour



# Proposed models to the Central Harbour



----- ownership  
↔ contractual relationship



## Harbourfront - in conclusion

- Many PPC options available
- Non-statutory authority recommended
- Statutory authority in the future



## Conclusion

- *PPCs offer many benefits*
- *Barriers can be overcome*
  - *Design-Build-Operate*
- *Need further development*
- *Statutory Authorities at the forefront for now*
- *The harbour to lead the way*



# Questions

