



## **Media Release**

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### **New Zealand's First Public Private Partnership**

Learning Infrastructure Partners has entered into a contract to provide New Zealand's first public private partnership (PPP) for the design, construction, finance and maintenance of Auckland's Hobsonville Point primary and secondary schools, for the next 25 years.

The consortium is made up of experienced school service providers including Hawkins Construction, Programmed Facility Management and the Public Infrastructure Partners fund (PIP Fund). The design work has been carried out by ASC Architects in conjunction with Perumal Pedavoli Architects, Holmes Consulting Group and Aecom.

Finance has been provided by Westpac and the PIP Fund. The PIP Fund is a group of local investors including the New Zealand Superannuation Fund, the New Zealand Social Infrastructure Fund and a number of community trusts. Learning Infrastructure Partners is a great example of New Zealanders investing in the development of social infrastructure that will serve many generations to come.

Competition to provide the new schools within a PPP framework was considerable and Learning Infrastructure Partners was selected on the basis of their innovative design, willingness to underwrite the performance of their schools for 25 years and their price. The final fixed cost of the schools is believed to be approximately 1% below budget and delivery risk sits firmly with the private sector.

Steven Proctor, Executive Director of the PIP Fund says that they are delighted to be involved in the first NZ PPP project to be officially signed.

"The Ministry of Education challenged us to provide them with two state-of-the art schools and to maintain them to a high standard throughout their working life. Learning Infrastructure Partners has produced two innovative designs that meet this requirement. One of the great strengths of the PPP form of procurement is that it forces the private sector to take responsibility for the assets they create. If a PPP school starts to leak after ten years the government will stop our payments. If a PPP school is delivered late, the government only need pay for it once it is complete. Under traditional procurement this is not the case," says Proctor.

Chris Hunter, CEO Hawkins Construction, is confident that these new buildings will inspire children and teachers.

“These schools will provide a modern educational environment that will enhance the new community on Hobsonville Point. The PPP model will free the schools’ principals from the distraction of managing property so that their core focus will be on educational outcomes,” says Hunter.

Hobsonville Point Primary School will open at the beginning of 2013 and Hobsonville Secondary School will open early 2014.

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## PPP Questions & Answers:

### PPP Information

- How can PPP procurement save money

PPP ensures that the private sector takes responsibility for the assets they provide to government. If the assets fails the private sector partner is not paid.

For example, under a traditional procurement model, if government has a leaky building problem it will be their cost to rectify as they are liable. Under a PPP project the private sector partner is contractually required to rectify building problems at no additional cost to the tax payer.

- Is PPP a proven procurement methodology?

The procurement method has been used around the world (Australia, Canada, Finland, France, Germany, Norway, Poland, Singapore, South Africa, UK and others.).

In many respects the PPP Schools are like the serviced office accommodation used by government and private companies in the country currently.

- Does the PPP allow more room for innovation?

PPP tends to bring more innovation because private sector companies are given more responsibility. Where a person or a company is given responsibility for a task they take ownership of an outcome and innovate more. For example, because PPPs combine the responsibility for construction and long-term maintenance, they create an incentive for the private sector to use innovative approaches to build higher quality assets that require less maintenance in the long term. This generally brings about a better result.

In traditional procurement, where inputs and techniques are specified by the procurer, innovation is necessarily curtailed because it is not required.

### Project Information

- How many schools have been procured in this process?

The project is to design and build, manage, maintain facilities, and finance a new primary school (690 pupils) and a new secondary school (1,500 pupils) at Hobsonville Point.

- What role does the Ministry Of Education play in the PPP?

The Ministry of Education plays a number of key roles in a PPP. The Ministry:

- was the procuring authority under the PPP procurement process

- specified the detailed, output based, design requirements of the schools
- is the actual owner of the new buildings created under the PPP arrangement
- provides the ultimate sign-off that the new schools are acceptable prior to occupation
- will monitor the private sector's performance over the contract life and apply penalties to the private sector partner for any poor performance
- is responsible for all of the education related services provided within the PPP schools
- What services does the private sector undertake to provide during the operating period?

The private sector partner provides the following services:

- Waste management & cleaning, security, pest control, utilities management
- Building & asset maintenance (whole of life)
- Information & communication technology backbone
- Furniture, fittings & equipment management
- General facilities management & ground maintenance
- Janitorial and porterage services
- Telephone based Helpdesk services
- How much of the PPP rental payment is at risk in the event that the school fails to perform as required?

The private sector partner can lose 100% of its rental in the event that services are not delivered or the building fails.

## Partner Information

- Which private sector companies make up Learning Infrastructure Partners?

Learning Infrastructure Partners' service providers are:

- Builder: Hawkins Construction
- Facilities Management: Programmed Facilities Management
- Project Management and Governance: Morrison & Co

The new schools have been designed by:

- ASC Architects; and
- Perumal Pedavoli Architects

Financing has been provided by:

- Westpac Bank
- The Morrison & Co Public Infrastructure Partners Fund
- Hawkins Construction

- Who is the Morrison & Co Public Infrastructure Partners (PIP) Fund?

The PIP Fund was established by New Zealand infrastructure investment manager Morrison & Co to invest in Social Infrastructure Assets through PPPs. The Fund was raised from New Zealand based investors including the New Zealand Superannuation Fund and a number of local community trusts and institutional investors. In addition, the New Zealand Social

Infrastructure Fund was established in 2010 to enable smaller New Zealand investors to participate in the PIP Fund. As manager of the PIP Fund, Morrison & Co works with central, regional and local government agencies, identifying opportunities to form partnerships to develop social infrastructure such as educational and healthcare facilities.