



Media release

The Hon Kim Wells MP
Treasurer

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Coalition reforms PPP model to fix Labor's failings

The Victorian Coalition Government is overhauling the delivery of public private partnerships (PPPs) in Victoria.

Treasurer Kim Wells said the reform would introduce new measures to make PPPs more attractive to potential bidders and ensure new agreements delivered value for money.

"The Coalition Government will not repeat the mistakes Labor made with the Wonthaggi desalination plant and the Ararat Prison project," Mr Wells said.

"These reforms will help us meet Victoria's infrastructure needs when we are dealing with the challenges of constrained liquidity markets, a \$6.1 billion downgrade in GST revenue from Canberra and cost blowouts inherited from the Brumby Labor Government."

Mr Wells said the changes would ensure future PPP contracts contained appropriate security and parent company guarantees.

"Stronger evaluation of a consortium's financial strength and the requirements for guarantees will ensure taxpayers are not left exposed if a PPP fails," Mr Wells said.

"The Coalition Government will introduce contractual protections for subcontractor payments and we will also seek market feedback on giving the state the right to replace a financier in defined circumstances."

The overhaul will also see new measures introduced to make the PPP model more attractive to potential bidders.

"The global financial crisis has made it more difficult to achieve value for money outcomes in PPP projects. There is now a smaller pool of lenders offering less favourable terms than in the past," Mr Wells said.

"New measures to reduce the bid costs for PPP projects will be trialed, including the reimbursement of specified bid costs for significant projects.

"We will also consider where modified financing structures might be appropriate to improve value for money and change the role of the public sector comparator for some projects from a strict pass-or-fail test to a more general affordability benchmark.

"These changes will fix Labor's failings and strengthen Victoria's ability to deliver vital infrastructure," Mr Wells said.

A discussion paper outlining the proposed forms and seeking industry feedback can be found at www.dtf.vic.gov.au

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