LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 13

STANDING COMMITTEE ON PUBLIC ACCOUNTS
Elizabeth Kikkert MLA (Chair), Michael Pettersson MLA (Deputy Chair), Andrew Braddock MLA

Inquiry into Annual and Financial Reports 2020-21
ANSWER TO QUESTION ON NOTICE

Asked by ELIZABETH LEE MLA: To ask the Treasurer

Ref: Treasury

In relation to: ACT Law Courts Public Private Partnership

1. What was the total capital expenditure on the ACT Law Courts project?
    a. Of that, what component was contributed by the Territory?
2. What is the frequency of availability payments made by the Territory?
3. How many payments has the Territory made to date, and what is the amount for each?
4. What are the projected frequency and amounts of future availability payments?
5. What is the projected end date of the availability payments arrangement?
6. Have any payments been abated?
    a. If yes, please provide the reason and reduced payment amount for each occasion of abatement
7. What effect did any restructure or refinance events have on the Territory's overall project cost?
8. What rate of return is the private partner receiving?
9. Why was a public private partnership chosen as the delivery model?

ANDREW BARR MLA: The answer to the Member's question is as follows:–

1. The total capital expenditure on the ACT Law Courts project was $165.34 million comprising $160.0 million fixed capital expenditure as at contract signing and $5.34 million as at October 2021 for project modifications.
    a. $5.34 million for Territory funded project modifications.
2. Payments are made on a monthly basis as per the Project Agreement.
3. Monthly Services Payments under the Public Private Partnership (PPP) became payable from the completion of Stage 1 in October 2018. As at 28 February 2022, the Territory had made 40 Monthly Services Payments. These were around $1.26 million per month for the period between completion of Stage 1 and Stage 2 (Oct 2018 – Jan 2020) and have been between $1.9 and $2.1 million per month since January 2020.
4. Services Payments are due each month following the submission and acceptance of a payment claim. These payments comprise a fixed component and variable component. As outlined in table 3 of the June 2016 Contract Summary document available here: https://www.treasury.act.gov.au/__data/assets/pdf_file/0008/873602/Law_Courts_Contract_Summary-June-2016.pdf, the 'fixed component' of these Services Payments is projected to amount, annually, to the amount shown for each year from 2021-22 through to 2043-44.

Table 3: Estimated annual MSP

Financial Year	$m
Refer to 3. for payments made to date.	
2021-22	23.3
2022-23	24.5
2023-24	23.1
2024-25	24.9
2025-26	27.9
2026-27	26.0
2027-28	27.5
2028-29	26.9
2029-30	25.2
2030-31	24.6
2031-32	26.4
2032-33	29.4
2033-34	32.0
2034-35	29.1
2035-36	29.2
2036-37	30.4
2037-38	33.6
2038-39	33.0
2039-40	30.6
2040-41	31.5
2041-42	35.5
2042-43	35.5
2043-44	5.5

5. The end date of the Project Agreement is August 2043.
6. Total abatements applied to the contract between October 2018 and February 2022 is $0.252 million.
    a. Abatements are a common occurrence and are tracked and calculated each month. Individual months often have several abatements. It is not practical to provide a list of every abatement and its reason. The most common cause of abatements is Recording and Transcription delays.
7. Restructure or finance events have had no impact on the Territory's overall project cost.
8. Given the nature of a PPP arrangement, it is not possible for the Territory to determine the private partner rate of return because the Territory does not have visibility of the factors internal to the Project Company and equity providers that affect the actual private partner return.
9. A PPP was chosen as the delivery model on the basis that:
    a. The risk transfer possible under a PPP approach would allow the Territory to retain minimal risk on the complex design and construction challenge of the Project as a brownfield development;
    b. PPP delivery is the only delivery method that transfers maintenance and facilities management risk, site risk, asset capability risk and interface risk to the private sector in an integrated contract;
    c. PPP delivery provides optimal whole-of-life costs as the private sector is responsible for long-term maintenance and facilities management in addition to design and construction, which should drive an optimal whole-of-life outcome; and
    d. There was evidence of sufficient market depth identified at the time to allow the Territory to achieve a competitive outcome through this model.

Approved for circulation to the Standing Committee on Public Accounts.

Signature: Andrew Barr

Date: 20.3.22

By the Treasurer, Andrew Barr MLA.