

March 2017

Market led proposals

Essential ingredients for successful submissions



Deliver a unique offering

In recent years Australia has seen a rise in private-sector initiated proposals for the delivery of government projects and services. These market-led or unsolicited proposals are increasingly featured in large-scale infrastructure and urban-renewal projects and are becoming a genuine alternative to traditional government procurement.

Market-led proposals have the potential to drive innovation, provide unique value and accelerate delivery of critical public infrastructure projects. ACT, NSW, Qld and Vic have each released guidelines to encourage such proposals and clarify the process for their assessment and progress. Other states and territories are expected to follow suit in the near future.

For a proposal to succeed, it must be able to offer something *unique* – something that will provide tangible benefits, that no one else can deliver, and that a government-led competitive process cannot better.

This uniqueness can take a variety of forms and be delivered in a variety of sectors, but it must be the central message. The strongest proposals are those that clearly articulate multiple unique attributes, making it too hard for government to pass up.

Having advised government on many of the largest successful market-led proposals, PwC has a special insight into how best to position proposals for success.

Existing asset or service concession:

Owning or being able to leverage a relevant existing asset or service contract

Partnerships:

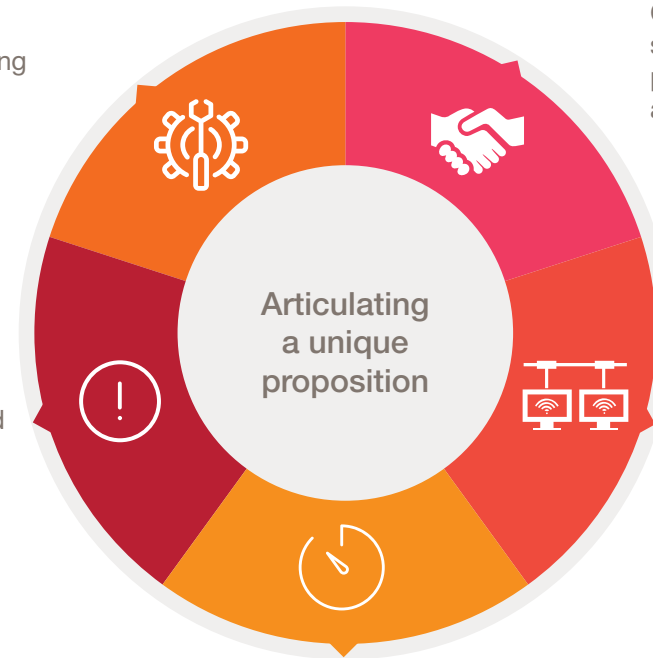
Combining assets, skill sets and relationships with partners to create new approaches

Risk appetite:

The ability to take on and manage either more risk or risks not traditionally undertaken by the private sector

Existing IP:

Ownership of relevant IP or technology



Timing:

The ability to deliver an outcome more quickly and with less disruption than anyone else. This is often a secondary attribute that results from other unique strengths or capabilities



Urban renewal and real estate

Potential unique opportunities could include:

- *Existing assets/service* – The ability to leverage existing land, property and service capacity to fund new government facilities and services (e.g. social housing development and/or maintenance). Note that the ownership of land or property may not in itself be enough of a differentiating factor – but rather the ability to use that land or property in a unique way to deliver value to the state.
- *Partnerships* – Tie-ups between adjacent land and property owners (e.g. between private and not-for-profits) or that result in particular funding outcomes for new public infrastructure (e.g. expansion of existing facilities on adjacent land to promote efficiencies).
- *Existing IP* – New design ideas or access to patented or unique technology to deliver high tech and/or environmentally sustainable developments.
- *Risk appetite* – Accepting a risk on the long-term economic outcomes of developing real estate and willingness to fund associated public infrastructure (e.g. using ‘value capture’ to fund the delivery of transport, utilities, social services) and deliver long-term service outcomes.



Social infrastructure and services

Potential unique opportunities could include:

- *Existing assets/service* – The ability to use existing facilities or service provision capabilities (e.g. schools/hospitals) to more efficiently manage upgrades or improvements to other assets, or the ability to leverage existing or new privately generated revenues to subsidise development of new public infrastructure and services.
- *Partnerships* – Service tie-ups with external global or local providers of education or health services (e.g. universities), or with businesses with a new approach to infrastructure and services development, or a unique combination of service provision (e.g. co-located community service centres).
- *Existing IP* – Access to proprietary knowledge or technology that might allow for the development of new service delivery platforms (e.g. for education), or provide more cost-effective or quicker delivery of infrastructure (e.g. patented construction methodologies) and/or ongoing maintenance.
- *Risk appetite* – Ability to deliver unique service-related performance outcomes (e.g. long-term educational outcomes) while being willing to accept associated risk.



Transport

Potential unique opportunities could include:

- *Existing assets/service* – The ability to leverage existing transport assets or services (e.g. existing franchises or concessions, freight and logistics networks) to subsidise development of new public infrastructure (e.g. new freight links), or the ability to expand existing asset management services to reduce the cost of, or improve the outcomes from, management of government assets.
- *Partnerships* – Service tie-ups between different transport service providers or technology companies that allow for new approaches to transport (e.g. integration of sharing economy or driverless technology with existing transport networks).
- *Existing IP* – Access to proprietary knowledge or technology that might allow for the development of entirely new transport networks or provide more effective or quicker approaches to infrastructure delivery (e.g. less disruptive solutions to the roll-out of new rail infrastructure).
- *Risk appetite* – Ability and willingness to accept the risks of integrating new, upgraded and existing transport solutions (e.g. new rail electrification or augmentation of road networks) as a result of special insight or current role within the existing transport network (e.g. rolling stock).



Successfully navigating the process

The practical application of market-led proposal guidelines continues to be refined in each state. Even the most distinctive offering requires a careful and considered proposal. Early engagement with the government is essential to ensure submissions address key government requirements and also allows proponents to seek the necessary safeguards to protect their IP.

A clear understanding of the process, coupled with alignment between stakeholders, is vital to ensure clear and consistent messaging to government and avoid unnecessary costs.

Our experience supporting government and the private sector in navigating these complex projects through the proposal process, and our insights into how these guidelines are applied, suggests there are six steps or focus areas essential to successfully prepare for and position a proposal.



Create a strong case for action

Address government policy or objectives – solve a priority problem or provide a solution to other issues that is too hard to pass up.

PwC understands government policy



Engage early

Socialise the idea with government and key stakeholders; understand appetite and build interest. The greater the understanding of what is on offer, the greater the chance of success.

PwC can help position and socialise ideas



Listen and adopt

Listen to feedback and be prepared to adapt the proposal/idea as required. Understand what is important to you, and what decisions you are happy to let government make.

PwC can help interpret the feedback and tailor your proposal

Identification

Engagement

Proposal drafting and submission



Articulate uniqueness

Be clear why your proposal is unique and the benefits that this brings. This uniqueness should be critical to government effectively delivering on its priorities.

PwC can help articulate messages



Provide a clear and robust pathway

Be clear on what is being offered – identify the issues that will be important to government and prepare a position. Understand and communicate what you require from government to realise the project's benefits.

PwC knows the process and government requirements and can help avoid wasted effort



Introduce competition where possible

Consider how to use competitive tender processes to procure non unique aspects of the proposal (e.g. downstream construction contracts).

PwC can help run government accepted tender processes

Our track record and experience

PwC has advised on some of the largest market-led proposals undertaken in Australia to date. Of note was our work with two of the largest recent proposals to proceed to Stage 3 and 4 respectively under the Victorian Guidelines: the Cranbourne–Pakenham Rail Corridor Project and the Western Distributor Project.

This experience has allowed us to develop a deep understanding of what can make or break such significant proposals.



Logan Motorway Enhancement Project (Qld) (ongoing)

PwC is the lead commercial and financial adviser to the Queensland Treasury in relation to a market-led proposal from Transurban to upgrade the Logan Motorway, funded against changes to tolls on the existing concession.

Cranbourne-Pakenham Rail Corridor Project (Vic)

PwC was the lead commercial and financial adviser to the Victorian Treasury on the Cranbourne-Pakenham Rail Corridor Project, a \$2.5 billion integrated transport project, and the first to progress to Stage 3 under the Victorian Guidelines. As a pathfinder proposal, this project (with PwC support) informed the development of the approval process for market-led proposals.

Western Distributor Project (Vic) (ongoing)

PwC is the lead commercial and financial adviser to the Victorian Treasury in relation to a market-led proposal from Transurban to build a new toll road in Melbourne's inner west, leveraging funding through tolls on the new asset and an extension to Transurban's existing CityLink contract.

East Werribee Employment Precinct (Vic) (ongoing)

PwC is the lead real estate and education adviser to a private consortium seeking to develop the East Werribee Employment Precinct (EWEP project).

This major, long-term urban-renewal project will result in a new education and research precinct. It is a joint venture between leading international developers, universities and funding providers.

Working closely with key stakeholders on these significant projects has given PwC special insight into how governments assess market-led proposals, particularly in the delivery of integrated infrastructure and service outcomes, unconventional risk propositions and innovative funding solutions.

Our roles have included:

- refinement of proposals to meet government requirements
- development of an assessment framework to evaluate proposals
- development and negotiation of commercial and financial terms.

If you would like to discuss any of the considerations raised above or learn more about market-led proposals, please contact our team of specialists below.



Mario D'Elia

Lead Partner – Infrastructure
Financial Advisory
Direct: +61 3 8603 6799
Mobile: +61 407 946 648
Email: mario.delia@pwc.com



Kate Evans

Partner – Infrastructure
Financial Advisory
Direct: +61 3 8603 6530
Mobile: +61 401 997 405
Email: kate.evans@pwc.com



Lee Worthington

Partner – Infrastructure
Financial Advisory
Direct: +61 2 8266 0353
Mobile: +61 400 531 984
Email: lee.worthington@pwc.com



Raelee Meyers

Partner – Infrastructure
Financial Advisory
Direct: +61 3 8603 6891
Mobile: +61 404 193 424
Email: raelee.meyers@pwc.com



Ross Hamilton

Lead Partner – Real Estate
Financial Advisory
Direct: +61 3 8603 0479
Mobile: +61 413 777 477
Email: ross.hamilton@pwc.com



Matt Reid

Partner – Real Estate
Financial Advisory
Direct: +61 3 8603 1572
Mobile: +61 422 451 984
Email: matthew.reid@pwc.com



Amy Brown

Partner – Infrastructure
Financial Advisory
Direct: +61 2 8266 1833
Mobile: +61 409 388 131
Email: amy.a.brown@pwc.com



Liam Foulkes

Director – Infrastructure
Financial Advisory
Direct: +61 3 8603 3553
Mobile: +61 402 020 543
Email: liam.foulkes@pwc.com

© 2017 PricewaterhouseCoopers. All rights reserved.

PwC refers to the Australian member firm, and may sometimes refer to the PwC network.

Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

At PwC Australia our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

