PUBLIC PRIVATE PARTNERSHIPS I: THEORY AND DESIGN

Instructors:
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COURSE OVERVIEW

Both governments and the private sector continue to grow their knowhow in using Public Private Partnerships (PPP's) for providing infrastructure. The result is the creation of a substantial body of research and theory on both the method and management of these projects. Much of it is based on successes as well as the lessons learnt from projects that experienced problems and some that just plain failed. This accumulated knowledge provides students with the opportunity to gain an in-depth understanding of the successes and failures so they and the governments they serve can learn from the experiences of others, avoiding the need to learn about the pitfalls the hard way.

Carnegie Mellon University Australia has designed two, complementary courses to give students a comprehensive understanding of both PPP theory and the successful delivery and management of PPP projects. The courses draw upon both established theory as well as case studies. The content also focusses on developing management skills specific to the area of PPP's, particularly the successful execution of PPPs in the context of developing countries.

COURSE STRUCTURE

The first of the two courses is titled PUBLIC PRIVATE PARTNERSHIPS I: THEORY AND DESIGN. It begins with some context by examining the economics and politics of public sector infrastructure investment in both the developed and developing world. The focus of the course then narrows to that form of infrastructure provision known as Public Private Partnerships (PPP's). It considers the objectives they are intended to serve and the different types of approaches that have emerged. These considerations are addressed in the context of the history of PPP's, largely focussed on landmark case studies and the ongoing arguments about the benefits and weaknesses of PPP delivery of public infrastructure.

The course then moves onto the tools needed for PPP analysis. This includes key techniques such as assessing value for money; preparation of the public sector comparator; estimation of risk; minimising transaction costs; and the selection of discount rates. The final part of the first course turns to specific management issues such as generating ideas; designing proposals; and stimulating private sector investment appetite.

READINGS

The schedule which follows lists some readings under each topic. These are divided into required and other readings.

There is no single text for this course. However, a number of texts will be drawn upon regularly with many of them being provided in class. These texts are listed as follows:


**CLASS FORMAT AND RULES**

Classes will be a combination of lectures and discussion. The first half of the class will generally be devoted to lectures, while the second half will focus on discussions of case studies.

Punctuality in classes and submission of assignments is critical. Assignments that are delayed will receive a full letter grade deduction for each day of delay. Assignments should also follow the prescribed formats.

**ACADEMIC INTEGRITY**

There is no tolerance for breaches of academic integrity in this course. Copying or paraphrasing the work of others without attribution will result in penalties, including the possibility of a failing grade.

Carnegie Mellon University policy prescribes that, in any presentation, creative, artistic, or research, it is the ethical responsibility of each student to identify the conceptual sources of the work submitted. Failure to do so is dishonest and is the basis for a charge of cheating or plagiarism, which is subject to disciplinary action.

**Cheating** includes but is not necessarily limited to:

- Plagiarism, explained below.
- Submission of work that is not the student’s own for papers, assignments or exams.
- Submission or use of falsified data.
- Theft of or unauthorized access to an exam.
- Use of an alternate, stand-in or proxy during an examination.
- Use of unauthorized material including textbooks, notes or computer programs in the preparation of an assignment or during an examination.
- Supplying or communicating in any way unauthorized information to another student for the preparation of an assignment or during an examination.
- Collaboration in the preparation of an assignment. Unless specifically permitted or required by the instructor, collaboration will usually be viewed by the university as cheating. Each student, therefore, is responsible for understanding the policies of the department offering any course as they refer to the amount of help and collaboration permitted in preparation of assignments.
- Submission of the same work for credit in two courses without obtaining the permission of the instructors beforehand.

**Plagiarism** includes, but is not limited to, failure to indicate the source with quotation marks or footnotes where appropriate if any of the following are reproduced in the work submitted by a student:
A phrase, written or musical.
A graphic element.
A proof.
Specific language.
An idea derived from the work, published or unpublished, of another person.

### COURSE GRADE

<table>
<thead>
<tr>
<th>Grade Range</th>
<th>Letter Grade</th>
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<tr>
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### COURSE ASSIGNMENTS

The assignments for this course are based on three segments of the course. It is important that students select and apply techniques acquired in PA I and PA II to these essays.

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<thead>
<tr>
<th>Assignment Type</th>
<th>Percentage</th>
<th>Maximum Words</th>
<th>Details</th>
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<tbody>
<tr>
<td>Group assignment</td>
<td>50%</td>
<td>Maximum of 7,500 words</td>
<td>This assignment requires students to work in small groups to dissect the strengths and weaknesses of a past PPP case. Each group will be assigned a different case study. The evaluation by the groups will be expected to draw upon the techniques covered in PPP1 to date.</td>
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<tr>
<td>Individual assignment</td>
<td>50%</td>
<td>Maximum of 3,000 words</td>
<td>This assignment requires students to prepare a position paper aimed at convincing private sector companies to invest in PPP's in a country selected by the student. It needs to draw upon the learnings from class and make use of additional research outside of that contained in the syllabi for the two PPP classes.</td>
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CLASS SCHEDULE

Week 1
Economics and Politics of Infrastructure Investment

Required reading


Other readings


Week 2
What are PPP’s and where did they come from?

Required reading


Case study: London Underground PPP. Report by the National Audit Office. 2007

Other readings


Week 3
What are the benefits of PPP’s? What are the criticisms of PPP’s?
**Required readings**


**Other readings**

Hodge, G. and Duffield, C. ‘The Australian PPP experience’ in Hodge et. al


**Week 4**

**What are the key concepts?**

**Required readings**


**Case study:** Bangkok’s Skytrain: Opening the System. 2000. Harvard Kennedy School of Government Case Program


**Other readings**


**Week 5**

**What projects are best suited to PPP delivery and operation?**

**Required Readings**


**Case study:** Melbourne City Link’s high speed electronic tolling. Parts A and B. ANZSOG case study

**Other readings**


**Week 6**

**Generating ideas and designing proposals**

**Required readings**


**Week 7**

**Building the public sector comparator and risk allocation and measurement**

**Required Reading**

**Case study:** Taiwan’s High Speed Rail: A Public Private Partnership Hits a Speed Bump. Harvard Kennedy School case study
Partnerships Victoria: The Public Sector Comparator. 2006. Harvard Kennedy School of Government Case Collection 18822.0


Other Readings


Week 8
The discount rate and other parameters

Required reading


Week 9
Preparing bankable pre-feasibility studies


Case study: Buenos Aires Colonia Bridge. Harvard Kennedy School case study library

Week 10
The keys to building investor appetite

Required reading


Other reading

Week 11
Transaction costs

Required reading


Week 12
Operationalising the concept by adding public value

Required reading


Case study: The Privatisation of Melbourne’s Public Transport System. ANZSOG case study

Week 13
Designing value capture frameworks

Required reading

Connolly, C and Wall, A 2016 ‘Value Capture: A Valid Means of Funding PPPs?’ Financial Accountability & Management, 32(2), May 0267-4424
