Value for Money in PPP projects
June 2008 – Case studies exercises

Project A
A Defence project comprising the provision of (i) living and working accommodation and (ii) basic training, to approximately 3,700 military and civilian personnel over a 32 year period. The accommodation and training is currently provided on a number of sites where the infrastructure has become dilapidated. The bidders are free to bid solutions that collocate the facilities onto one site. Total capital expenditure is in the order of Euro3bn.

Project B
Provision and maintenance of IT infrastructure for the department of social security's new benefits programme in order to develop its record keeping and distribution of payments to claimants throughout the country. The service has to be installed, maintained and operated over 30 years. The estimated contract value is Euro300m.

Project C
Refurbishment, maintenance and operation of a community swimming pool over a 25 year period in Ceska Ves, Moravia. The private operator will be expected to recover its investment from a mix of charges for users and availability payment. The project will involve the refurbishment of a former spa pool with an estimated capital expenditure of Euro0.5m.

Project D
Construction and maintenance of a group of 7 secondary schools in the Prague area. 6 schools will be constructed as new and one is a refurbishment project. The total estimated capital expenditure is Euro100m. Concession period is 30 years. Teaching is not included in the services to be contracted from the private sector

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Some key issues to consider:

1. Can the contract be constructed so that outputs can be identified and objectively measured?

2. Is the scope of the project well defined and suitable – are there services that could be included or excluded that may improve VfM?

3. Is there likely to be adequate operational flexibility over the lifetime of the contract, at an acceptable cost?

4. Is demand for the service reasonably predictable over the lifetime of the contract?

5. Are the benefits of PPPs – for example in terms of cost/time overrun management and innovation - likely to exceed the marginal costs of procuring this as a PPP?

6. Is there likely to be sufficient interest and capability from the market to ensure a good competitive response?

Project	Poor VfM?	Only Marginal VfM?	High VfM?
A			
B			
C			
D			