Assigning Public Sector Responsibilities to create enabling environments

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UNECE People First PPP Workshops
Urban Transit Session

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Source: Courtesy Mitsubishi Heavy Industries
Presentation Topics

Public Sector Obligations & Challenges

People First Outcomes

Smart Solutions

Public Sector Responsibilities
Public Sector Obligations & Challenges

OBLIGATIONS
- Manage economies
- Plan the ‘public commons’ in urban spaces
- Security & safety in communities
- Healthy, safe & clean living environment

CHALLENGES
- Complex physical needs
- Congestion, air & noise pollution
- Urgent solutions requiring fast starts
- Huge funding challenges

Source: Malaysia National Physical Plan
People First Outcomes

→ Advanced economies providing employment
→ affordable decent housing
→ Security & safety in communities
→ Healthy, safe & clean living environment
→ Enhanced mobility giving freedom of movement
→ Integrated supporting infrastructure & services
→ More free time & less taxes

⇒ People first outcomes will provide sustainable communities
Smart solutions match real demand for services with revenues

- Community requirements need to be mapped against associated revenues
- Consumers are smart and will only pay for services that provide value

- Focus on defining the real services that will generate sustainable revenues

- Advanced Economy Revenues
- Real Estate Revenues
- Mobility Service Revenues
- Utility Service Revenues
- 3rd Party Service Revenues

- Liveable Cities & Sustainable Communities
- Talent & Skill Workers
- Quality Knowledge Centres
- Efficient Public Centres
- Affordable Decent Housing
- Distinctive Attractive Housing
- Supporting Infrastructure & Utilities

Public Sector Obligations & Challenges
People First Outcomes
Smart Solutions
Public Sector Responsibilities
CREATING REAL VALUE

→ Real demand for real-estate that is well connected to economic centres

→ Urban transit systems create virtuous value loops for real estate by linking economic centres

CAPTURING THE VALUE

→ Real-estate developer contributions
  eg Real-estate premiums; Air Rights

→ Hypothecation (ring-fencing) of taxes for cross-financing
  eg Land taxes; congestion charging

Transit Systems create tangible value for real-estate developers
Public Sector Responsibilities

Creating Real Value

→ Public sector planning to embed social services at urban transit systems will create employment & anchor demand

→ Using fiscal resources for social services commitments to leverage private investor funds

Public Sector Responsibilities

Creating Real Value

Social Real-Estate

Social Housing
Government Offices

Education Campuses
Military Bases & Airports

Hospitals
Data Centres

Private Real-Estate

Residential Real-Estate
Commercial Real-Estate

Hotel, Conference & Catering
Retail, Car-parking

Underlying Infrastructure

Transit Systems
Utilities

Public sector must provide incentive for creating real-estate value and regulate to capture economic value

Public sector can leverage fiscal resources to create value for transit systems & real-estate
Public Sector Responsibilities – define business case

- Bankable Revenues
  - Farebox Revenues
  - Unregulated Revenues
  - Real-Estate Related Revenues
  - Fiscal Support

- Passenger Ridership
- Advertising revenues
- Premiums from proximity to connected mobility solutions
- Government Availability Payments for Social Infrastructure
- Viability Gap Funding
- Transport Availability Payments
- Public Sector Guarantees

→ Public Sector Obligation to establish the business case to demonstrate commercial viability & bankability
Sustainable risk allocation requires detailed planning & budget allocation for implementing public sector obligations.

Challenges

- Ridership & 3rd party revenue risks
- Land acquisition risk
- Interface risks
- Stakeholder engagement risks
- Insufficient skilled workforce

Sustainable Risk Allocation

- Allocate & use budget for planning out public sector obligations & public sector risks
- Use People First Objectives to show win-win benefits to other ministries & stakeholders
- Use private-sector tools in public sector: eg contracts & management systems

Consequences of Failure

- Failed tenders
- Insufficient project revenues resulting in public-sector bail-out
- Public Sector default requiring pay-out from public sector guarantees
- Shortfalls in economic growth
Thank you

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