

Chapter 4 Central Government

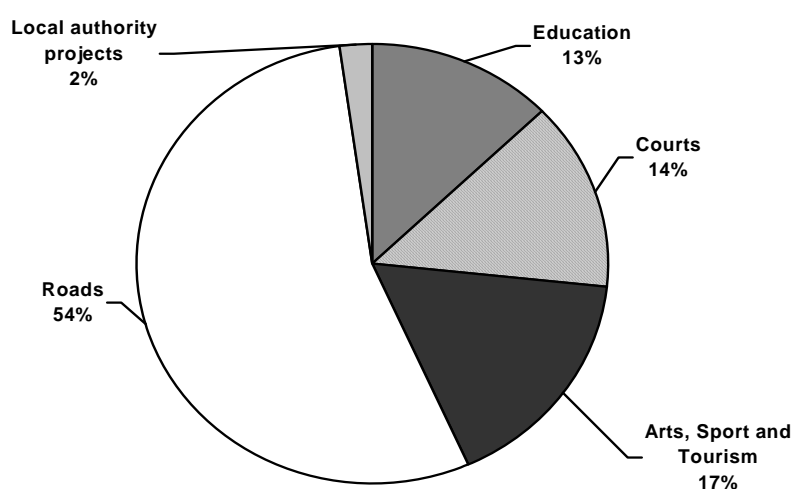
Financial Commitments under Public Private Partnerships

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4.1 A Public Private Partnership (PPP) is an arrangement between public and private sector partners for the delivery of public infrastructure and/or public services.

4.2 The total outstanding commitments of central government departments and agencies in respect of contracted PPP projects are estimated at just over €4.27 billion. The distribution of these commitments by sector is shown in Figure 13.

Figure 13 Outstanding Commitments of Central Government Departments and Agencies under PPP Contracts, end 2008



Note:

- a Amounts shown in relation to local authority projects relate to outstanding commitments of the Department of the Environment, Heritage and Local Government towards the capital cost of local authority PPP projects. They do not include commitments under the contracts by the relevant local authorities to be met from their own future budgets.

4.3 Expenditure to the end of 2008 under individual contracts is shown in Figure 14. The outstanding commitments under each individual project are also shown.

Nature of PPP Arrangements

4.4 Typically, a PPP project involves a formal contract between a government agency and a private partner, where the latter undertakes to deliver specified facilities and/or services over the life of the contract. This is usually 25 to 45 years, depending on the scope of the project. Project risks, which are a feature of all long-term projects, are shared between the public and private sector partners, depending on which partner is in the best position to manage them. In most cases, the sponsoring government agency owns or receives the assets at the end of the contract period.

4.5 In terms of the financial commitments entered into by public bodies, PPP projects in Ireland take three main forms

- Unitary payment — this is where the sponsoring public agency makes regular payments (monthly, quarterly or annually) over the term of the contract to the private sector partner, subject to satisfactory performance in providing agreed facilities to the required standard. Typically, part of this unitary (or all-in) payment amount is fixed over the life of contract, with the remainder varying in line with price fluctuations (usually the Consumer Price Index). The split between the fixed and variable elements varies from project to project.
- Concession — with this kind of arrangement, the users of the service pay fees to the private sector partner e.g. motorists using toll roads. The State may pay an up-front contribution towards the capital costs of providing infrastructure. Where user payments exceed projected levels, there may be scope for the excess income to be shared between the public and private sector partners.
- Asset-based — in this kind of project, the public sector contribution to the project includes provision of an asset (usually land), with the private partner developing the asset e.g. social/affordable/private housing projects. Ultimately, much of the funding for this kind of project depends on sales or rentals on the open property market. Such projects are usually of shorter duration (five to seven years) than concession or unitary payment projects.

Report Focus

This report has been compiled to provide an accessible source of information about the financial commitments entered into by State agencies.

4.6 Figure 14 sets out the expenditure to end 2008 on major PPP projects together with the related commitments.

4.7 Annex A to this Chapter gives summary details of those contracts which were live in 2008 classifying them in terms of the elements to be delivered by the private sector partner.

4.8 The elements within the scope of the project may include some or all of the following

D *design* of service/infrastructure

B *build*/construct/extend/renovate capital assets

F provide *finance* (e.g. provide/secure private equity and borrowing, collect user charges)

O *operate* assets (e.g. facilitate management, employment of services staff)

M *maintain* assets over contract life.

In the Annex, project scope is often described using abbreviations. For example, a project that is described using the abbreviation DBFOM involves all the elements described above.

Figure 14 Expenditure to end 2008 and Outstanding Commitments on Large PPP Project Contracts, by Public Sector Agency and by Project^a

Sponsoring Authority/Project Name	Key Project Dates			Expenditure			
	Contract Signed	Service Commencement	Contract End	Pre 2008	2008	Future Commitment	Projected Total Contract Value
				€m	€m	€m	€m
Department of Education and Science							
Pilot PPP Schools Bundle	November 2001	2003	2027	63.6	10.7	208.7	283.0
Maritime College	February 2003	2004	2029	36.8	8.8	146.1	191.7
Cork School of Music	September 2005	2007	2032	11.0	8.2	199.6	218.8
Courts Service							
The Criminal Courts of Justice	April 2007	2009	2034	—	—	615.1	615.1
Department of Arts, Sport and Tourism							
National Conference Centre	April 2007	2010	2035	—	—	725.3	725.3

Notes:

- a The commitment amounts are projected based on the assumption that inflation will average 2% a year over the remaining life of each project. All amounts include VAT (unless otherwise stated).

Sponsoring Authority/Project Name	Key Project Dates			Expenditure			
	Contract Signed	Service Commencement	Contract End	Pre 2008	2008	Future Commitment	Projected Total Contract Value ^b
				€m	€m	€m	€m
National Roads Authority							
Kilcock/Kinnegad	March 2003	2005	2033	164.4	4.0	9.7	178.1
Dundalk Western Bypass	February 2004	2005	2034	—	0.2	0.6	0.8
Rathcormac/Fermoy	June 2004	2006	2034	85.7	5.2	63.8	154.7
Waterford City Bypass	April 2006	2009	2036	65.7	28.8	111.2	205.7
Limerick Tunnel	August 2006	2010	2041	64.6	51.0	143.4	259.0
Clonee/Kells	April 2007	2010	2052	—	111.2	616.2	727.4
Galway/Ballinasloe	April 2007	2010	2037	7.0	11.5	358.8	377.3
M7/M8 Portlaoise	June 2007	2010	2037	—	15.0	69.7	84.7
M50 Upgrade	September 2007	2007	2042	—	—	1,006.0	1,006.0 ^c

Notes:

- b In the case of NRA concession contracts, the Projected Total Contract Value represents the total payments expected to be made to the PPP companies concerned over the life of the contract. These companies also benefit from user charges which contribute to their capital and operational costs.
- c Excludes VAT.

Sponsoring Authority/Project Name	Key Project Dates			Expenditure			
	Contract Signed	Service Commencement	Contract End	Pre 2008	2008	Future Commitment	Projected Total Contract Value
				€m	€m	€m	€m
Department of the Environment, Heritage and Local Government^d							
<i>Sewage Treatment Projects</i>							
Dublin Bay Treatment Plant	March 2001	2003	2024	na	194.8	14.6	209.4
Wexford Treatment Plant	July 1999	2004	2026	na	18.3	—	18.3
Cork Treatment Plant	December 2001	2004	2027	na	65.2	—	65.2
Balbriggan/Skerries Treatment Plant	September 2004	2006	2028	na	23.8	—	23.8
South Tipperary Treatment Plant Group	March 2003	2007	2029	na	11.9	0.1	12.0
Dungarvan Treatment Plant	April 2004	2007	2029	na	11.5	—	11.5
Sligo Treatment Plant	September 2006	2008	2030	na	18.0	—	18.0
Donegal (A) Treatment Plant Group	June 2006	2008	2030	na	22.8	1.3	24.1
Waterford Treatment Plant	September 2006	2009	2032	na	18.0	4.8	22.8
Portlaoise Treatment Plant	December 2006	2009	2031	na	16.0	2.6	18.6
Meath Villages Treatment Plant Group	October 2007	2010	2032	na	12.3	6.5	18.8
Mullingar Treatment Plant	April 2008	2010	2032	na	6.4	9.6	16.0

Note:

d Expenditure/commitments data exclude those of local authorities. The Department was unable to provide expenditure data separately for 2008 and earlier years.

Sponsoring Authority/Project Name	Key Project Dates			Expenditure			
	Contract Signed	Service Commencement	Contract End	Pre 2008	2008	Future Commitment	Projected Total Contract Value
				€m	€m	€m	€m
Department of the Environment, Heritage and Local Government^d (continued)							
Castlebar Treatment Plant	September 2008	2010	2032	na	1.3	10.1	11.4
Shanganagh Treatment Plant	September 2008	2010	2034	na	6.7	45.4	52.1
Wicklow Treatment Plant	September 2007	2009	2031	na	10.9	2.6	13.5
Water Treatment Scheme							
Clareville Water Treatment Project	December 2006	2010	2030	na	22.5	—	22.5
Area Development Projects							
Fatima Mansions Redevelopment	June 2004	2006	2009	—	—	—	—
Greystones Harbour Development	December 2007	2012	2012	—	—	—	—

Note:

d Expenditure/commitments data exclude those of local authorities. The Department was unable to provide expenditure data separately for 2008 and earlier years.

Annex A

Description of Current PPP Projects in each Department

Department of Education and Science

The Department of Education and Science had, up to the end of 2008, agreed contracts in respect of three PPP projects in the education area. The total outstanding commitment under these contracts was €54.4 million at 31 December 2008.

- **Pilot PPP Schools Bundle (DBFOM)** — The Department agreed a contract in November 2001 with the Schools Public/Private Partnership (Ireland) Ltd for the provision of new second level schools in five locations (Clones, Dunmanway, Tubbercurry, Ballincollig and Shannon), catering for a total of 3,475 pupils. The schools became operational at the start of 2003 and the contract will run for 25 years from that date.
- **National Maritime College (DBFOM)** — In February 2003, the Department entered a 25-year contract with Focus Education (NMC) Ltd to provide and operate a third level college for education and training in merchant marine and naval service studies. The College has a capacity to cater for 750 whole time equivalent students in an academic year, and became operational in October 2004. In addition to the unitary payments being made by the Department, pass through charges in relation to utilities are paid by Cork Institute of Technology.
- **Cork School of Music (DBFOM)** — The Department entered a contract in September 2005 for the construction of a new building to house the Cork School of Music, which is part of the Cork Institute of Technology. The building became operational in mid 2007, and can accommodate approximately 400 full-time third-level students and 2,500 part-time students. In addition to the unitary payments being made by the Department, pass through charges in relation to electricity and gas are paid by Cork Institute of Technology.

Courts Service

- **The Criminal Courts of Justice (DBFOM)** — The Courts Service entered a 25-year contract with Babcock and Brown CCC Limited Partnership in April 2007 for the provision of a courts building to accommodate all the criminal court business in the Dublin area. The 23,000 square metre building will have 22 courtrooms, administration and judicial offices, separate public, jury, judicial and custody circulation systems and prisoner holding areas. The Bar Council will also have accommodation in the building. Under the contract, the private sector partner will provide a range of services including building maintenance, helpdesk and reception services, security and traffic management, cleaning, portering and reprographics, provision and operation of courtroom technology and utilities administration. Utility costs, and the costs of catering and jury minding will be additional to the unitary payment charge. The complex is expected to become operational by November 2009.

Department of Arts, Sport and Tourism

- **National Conference Centre (DBFOM)** — The Department of Arts, Sport and Tourism sanctioned a 25-year contract, entered into in April 2007 between the Office of Public Works and Spencer Dock Convention Centre Dublin Ltd for the provision and operation of a major conference facility. The Centre will have capacity to cater for conferences with up to 8,000 delegates. It will include a 2,000 seat auditorium, 22 multi-purpose meeting rooms and approximately 4,500 square metres of flexible exhibition and

banqueting space, along with associated press and delegate support facilities and general utility spaces. The centre is expected to open in 2010.

The risk of the Centre failing to realise projected demand will be borne by the PPP company which will suffer reduced unitary payments as a consequence.

The total outstanding commitment under this contract was €725.3 million at 31 December 2008 (€380 million in Net Present Value terms).

National Roads Authority

The PPP schemes for development of motorways were procured under concession contracts with durations varying from 30 to 45 years. The NRA is providing a contribution to the capital and operational costs on most of the projects. The concessionaire will recoup the remaining construction costs and on-going operation costs by the collection of tolls.

The total outstanding commitment under these contracts was €2.38 billion at 31 December 2008.

The NRA will benefit from a share of revenue from all schemes. This share of revenue is dependent on traffic volumes on the various schemes and is payable throughout the concession period. The value of revenues from PPP schemes is estimated at €1.7 billion. In addition, the Authority estimates that net toll revenues accruing to it from M50 tolling, collected under a separate contract, will amount to €1.04 billion in the period to March 2020.

- **Kilcock/Kinnegad Motorway (concession)** — The project involved the construction by Eurolink Motorway Operation Ltd of 39 kilometres of motorway, which opened to traffic in December 2005. The concession runs until 2033. The NRA received €0.5 million from the concessionaire in 2008 in the form of revenue share. Total receipts under the contract up to end 2008 were €1.1 million.
- **Dundalk Western Bypass (concession)** — The project comprises the construction by the Celtic Roads Group (Dundalk) Ltd of an 11 kilometres stretch of the M1 motorway, with an additional 8 kilometres of associated side roads and tie-ins. The road was opened to traffic in October 2005. The project also includes the operation and maintenance of 42 kilometres of existing motorway (Dunleer Bypass and Dunleer/Dundalk Motorway) and toll facilities on the M1 motorway. The contract runs to February 2034. The NRA received €1.4 million from the concessionaire in 2008 in the form of revenue share. Total receipts under the contract up to end 2008 were €24.3 million. In 2008, the NRA negotiated a variation in the contract to provide for additional landscaping. The agreed value for these works, to be met by the NRA, was €712,000 (excluding VAT).
- **Rathcormac/Fermoy (concession)** — This project, on the N8 Cork to Dublin route, involved construction by DirectRoute (Fermoy) Ltd of an 18 kilometres stretch of road incorporating bridges, underpasses and road realignments. The road opened to traffic in October 2006 and the PPP company's concession to operate and maintain the road and associated toll facilities runs to February 2034.
- **Waterford City Bypass (concession)** — This project involves the provision by Celtic Roads Group Ltd of 23 kilometres of dual carriageway, a bridge over the River Suir and approximately 4 kilometres of single carriageway. There are also 11 kilometres of ancillary road construction works, a 2 kilometre railway realignment and various roundabouts included in the project. The Bypass is expected to be completed ahead of schedule and to open in late 2009. The PPP company's concession to operate and maintain the road and associated toll facilities runs to April 2036.

- **Limerick Tunnel (concession)** — This project involves provision by DirectRoute (Limerick) Ltd of a tunnel crossing under the River Shannon, the construction of approximately 10 kilometres of new dual carriageway, and associated link roads and side roads. The Tunnel is expected to open in 2010. The PPP company's concession to operate and maintain the road and associated toll facilities runs to August 2041.
- **Clonee/Kells (concession)** — This PPP project is the largest single road scheme under the National Development Plan/Transport 21, involving construction by Eurolink Motorway Operations (M£) Ltd of over 110 kilometres of roads. It will include a tolled motorway section of approximately 47 kilometres, bypassing Dunshauglin, Navan and Kells, and associated local/regional road realignments/improvements. The PPP company's concession to operate and maintain the road and associated toll facilities runs to April 2052. The scheme is expected to open to traffic in 2010.
- **Galway/Ballinasloe (concession)** — This scheme provides for the construction by the ICON consortium (N6 Concessions Ltd) of 58 kilometres of tolled motorway on the Galway to Dublin route. The PPP company's concession to operate and maintain the road and the associated toll facilities runs up to April 2037. The scheme is expected to open to traffic in 2010.
- **M7/M8 Portlaoise (concession)** — The scheme involves the provision by Celtic Roads Group (Portlaoise) Ltd of 41 kilometres of motorway and approximately 18 kilometres of other roads, as well as a motorway interchange. The PPP company's concession to operate and maintain the road and the associated toll facilities runs to June 2037. The scheme is expected to open to traffic in 2010.
- **M50 Upgrade**¹⁰ — The NRA agreed a PPP contract in September 2007 with the ICON Consortium (M50 Concessions Ltd) for the upgrading of the M50 route. This involves the widening of 24 kilometres of the M50 from two-lane to three-lane carriageway in each direction, including the upgrade of junctions. The PPP company also immediately took on responsibility for the operation and maintenance of the entire M50 from the M1 interchange to the M11 tie-in. Under the contract terms, the NRA will make monthly unitary payments to the PPP company up to September 2042, amounting in total to over €1 billion at current prices. The upgrade works are planned to be fully completed by the end of 2010.

Department of the Environment, Heritage and Local Government

The Department of the Environment, Heritage and Local Government sanctions local authority PPP projects, and has supported many of the projects financially by providing capital funding contributions. The local authorities concerned are committed under the contracts to further payments.

Local authority PPP projects with a capital value of €20 million or more are listed below. The Department has stated that local authorities have agreed contracts with private sector partners for a further 47 PPP projects with a capital value of less than €20 million each. Of these, 34 are operating.

Most of the larger projects that received capital assistance from the Department involved the provision of treatment plants as part of area main drainage schemes. Typically, local authority waste water/sewerage treatment projects include a number of separate elements including pumping stations, collection systems and treatment plants, with separate contracts/contractors for each element. The Department considered that only contracts in respect of treatment plants would be

¹⁰ Chapter 27 reports on the deal to buy-out the M50 West-Link toll concession contract.

suitable for procurement under the PPP model, because only in that case was there potential for innovative design and build methods.

The total outstanding commitments under these contracts was €97 million at 31 December 2008.

- **Dublin Bay Treatment Plant (DBM)** — Construction of the treatment plant, designed to serve a population of 1.64 million, was completed in June 2003. The Department had contributed funding of €195 million by end 2008, out of a total allocation of €209 million. While the plant became operational, there were persistent odour problems which ABA, the private sector partner, had to address. Because of a conflict between the odour standards prescribed in the Environmental Impact Statement and the contract documents for the plant, the responsibility for solving the issue did not rest solely with the ABA consortium and the cost of rectifying the problem was borne by both the contractor and Dublin City Council. Odour control equipment now installed is expected to eliminate odour nuisance in the locality.
- **Wexford Treatment Plant (DBOM)** — Construction of the treatment plant, which has the capacity to serve a population of 30,000, was completed by the Brent Consortium in September 2004. The plant is now in operation. The Department has contributed its full allocation of funding — €18.3 million — to the project.
- **Cork Treatment Plant (DBOM)** — Construction of the treatment plant, with the capacity to serve a population of 413,000, was completed by the Degermont Consortium in September 2004. The plant is now in operation. The Department has contributed its full allocation of funding — €5.2 million — to the project.
- **Balbriggan/Skerries Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by Earthtech Ireland Ltd of a sewage treatment plant with an initial capacity to serve a population of 30,000. There is potential to expand the capacity of the plant to serve a population of up to 100,000, if required. The plant became operational in September 2006. The Department has contributed its full allocation of funding — €3.8 million and will recoup €0.4 million from other non-PPP elements of the larger project.
- **South Tipperary Treatment Plants Group Project (DBOM)** — This project involves the upgrading of seven existing sewage treatment plants and the construction of five new ones by Earthtech Ireland. The combined capacity of the plants would serve the needs of a population of up to 123,100. The plant became operational in 2007. The Department has contributed almost all of the €12 million allocated to the project.
- **Dungarvan Treatment Plant (DBOM)** — Construction of the treatment plant, with the capacity to serve a population of 35,000, was completed by the ABV consortium in July 2007. The plant is now in operation. The Department has contributed its full allocation of funding — €1.5 million and will recoup €0.2 million from other non-PPP elements of the larger project.
- **Sligo Treatment Plant (DBOM)** — Construction of the treatment plant, with the capacity to serve a population of 47,000, was completed by Anglian Water International in October 2008. The plant is now in operation. The Department has contributed its full allocation of funding — €18 million — to the project.
- **Donegal (A) Treatment Plants (DBOM)** — This project involves the construction, operation and maintenance of three sewage treatment plants (in Donegal Town, Ballyshannon and Rossnowlagh) by a Veolia led consortium. The combined capacity of the plants is designed to serve the needs of a population totalling 22,000. The plant became operational in June 2008. Up to the end of 2008, the Department had contributed a total of €2.8 million out of a total allocation for the project of €4.1 million.

- **Waterford Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by Anglian Water International of a treatment plant with the capacity to serve a population of 100,000. It is expected that the plant will become operational by August 2009. Up to the end of 2008, the Department had contributed a total of €18 million out of a total allocation for the project of €22.8 million.
- **Portlaoise Treatment Plant (DBOM)** — Construction of the treatment plant, which has the capacity to serve a population of 39,000, was completed by an Earthtech/Bowen Construction consortium in March 2009. The plant is now in operation. Up to the end of 2008, the Department had provided funding totalling €16 million, out of a total allocation for the project of €18.6 million.
- **Meath Villages Treatment Plants Group Project (DBOM)** — This project involves the provision, operation and maintenance by the EPS consortium of treatment plants for seven villages in County Meath. The combined capacity of the plants would serve the needs of a population of 5,000. The plants are due to become operational in 2010. By the end of 2008, the Department had provided funding totalling €2.3 million, out of a total allocation for the project of €18.8 million.
- **Mullingar Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by Veolia Water Ireland of a treatment plant with an initial capacity to serve a population of 30,000, increasing within three years to a capacity sufficient for a population of 55,000. It is expected that the plant will become operational by September 2010. Up to the end of 2008, the Department had provided funding of €6.4 million out of a total allocation for the project of €16 million.
- **Castlebar Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by Veolia Water of a treatment plant with a capacity to serve a population of 35,000. It is expected that the plant will become operational by November 2010. Up to the end of 2008, the Department had provided funding of €1.3 million out of a total allocation for the project of €1.4 million.
- **Shanganagh Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by a consortium involving Sisk, Dragados and Drace of a treatment plant with a capacity to serve a population of 103,000. It is expected that the plant will become operational in 2010. Up to the end of 2008, the Department had provided funding of €6.7 million out of a total allocation for the project of €2.1 million.
- **Wicklow Treatment Plant (DBOM)** — This project involves the construction, operation and maintenance by Veolia Water Ireland of a treatment plant with a capacity to serve a population of 34,000. It is expected that the plant will become operational in 2009. Up to the end of 2008, the Department had provided funding of €0.9 million out of a total allocation for the project of €3.5 million.

The Department has so far sanctioned and funded one water treatment project using a PPP structure.

- **Clareville Water Treatment Plant (DBOM)** — Limerick City Council entered a contract with the Veolia Water/Ascon Consortium in December 2006 for the construction, operation and maintenance of a water treatment plant to cater for the needs of Limerick city and its environs. The plant, which is expected to be completed in spring 2010 will have the capacity to treat around 100,000 cubic metres of water a day. The Department has contributed its full allocation of funding — €22.5 million — to the project.

The Department has also sanctioned two asset-based PPP projects involving residential/commercial/amenity development.

- ***Fatima Mansions Redevelopment (DBF)*** — This project involved a contract agreed in June 2004 between Dublin City Council and the Elliot/Moritz consortium in which the local authority contributed land that had low-density use to the private developer, in return for 150 new social housing units, some community facilities and a financial contribution to the City Council. The developer planned to fund the project by using some of the land to develop 70 affordable housing units and 395 private units for sale at market rates. Phase 1 of the project — provision of 110 the social housing units — was completed at the beginning of 2006 and the units provided are now occupied. Phase 2 — the provision of affordable and market rate housing and the remaining social units — is underway and due for completion by October 2009. The redevelopment also includes the provision of 500 square metres of enterprise space, a 2,890 square metres community centre, over 3,000 square metres of commercial space, a leisure centre and general infrastructure and landscaping works.
- ***Greystones Harbour Development (DBOF)*** — Wicklow County Council agreed contract terms in December 2007 with Sispar Consortium on a PPP project involving development of 341 residential units, around 5,600 square metres commercial space and the operation of a 230 berth marina with a 30-year concession period. In addition, public infrastructure will be provided including a new harbour, a public square, community club facilities, coastal protection and beach management works. The contract includes a revenue-sharing arrangement between Sispar and the Council. This is composed of fixed and variable elements. Under the agreement, the Council received €3 million in 2008 as part of the fixed element. A further amount will become payable on completion of the project.