

CASE STUDY

—PUBLIC-PRIVATE PARTNERSHIPS: THEORY, PRACTICE, AND CASES

DAY 3, OCTOBER 19, 2012

“Risk Management”

This slide set (and the lecture note) is prepared mainly based on:

- Chapter 14 (pages 242-248) of Yescombe, E.R. (2007). *Public-Private Partnerships—Principles of Policy and Finance*. Burlington and Oxford: Butterworth-Heinemann.
- Tiong R & Anderson J A (2003). Public-private partnerships risk assessment and management process: the Asian dimension. In: Akintoye A, Matthias B & Hardcastle C (eds). *Public-Private Partnerships: Managing Risks and Opportunities*. Oxford: Blackwell.
- Chan APC, Lam PTI, Chan DWM & Cheung E (2008). Risk-sharing mechanism for PPP projects—the case study of the Sydney Cross City Tunnel. *Surveying and Built Environment*, Volume 19 (1): 67-80.

PRINCIPLES OF RISK TRANSFER

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- *Who can bear project risks in a PPP project?*

PRINCIPLES OF RISK TRANSFER

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- *Is the public authority willing to or expected to take project risks in a PPP project to ensure the benefits of PPPs?*

PRINCIPLES OF RISK TRANSFER

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- *Is it ideal or worthwhile getting all risks transferred from the public sector to the private sector?*

PRINCIPLES OF RISK TRANSFER

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- *What criteria do you think of when you are asked to decide who should take a particular risk?*

PRINCIPLES OF RISK TRANSFER

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- *How would lenders react if the project company retained a certain risk?*
- *Why do lenders so react?*

PRINCIPLES OF RISK TRANSFER

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- *Why are lenders so reluctant and cautious to assume risks?*

PRINCIPLES OF RISK TRANSFER

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- *Who do you think should take risks related to “foreign currency availability and transfer”, “a change in law”, “site acquisition”, “construction”, or “usage or demand”?*

RISK MANAGEMENT IN PRACTICE

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Hub River Power Project

HUB POWER STATION



View of Hub Power Plant

HUB POWER STATION



Night View of Hub Power Plant

Source: HUBCO

RISK MANAGEMENT IN PRACTICE

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- *What is the lesson learned from the Hub River dispute?*
- *Do you think of any risk mitigation measures other than the cover afforded by institutions such as the World Bank and bilateral public entities such as the JBIC?*

RISK MANAGEMENT IN PRACTICE

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Sydney Cross City Tunnel



Source: Roads and Traffic Authority (NSW)

RISK MANAGEMENT IN PRACTICE

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- *Which one of the underlying causes listed below do you think is the most critical for the failure of the SCCT (Sydney Cross City Tunnel) project?*
- ✓ inaccurate traffic forecast;
- ✓ high toll levels;
- ✓ government closing off the surface roads to direct the traffic into the CCT;
- ✓ flawed concession agreement;
- ✓ the public client and the private consortium arguing openly in public;
- ✓ no toll subsidy and/or compensation from the government; and
- ✓ the toll level or the possibility of a government contribution was not open to negotiation.

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** Please feel free to send me e-mails with any question about the course or if you want to make an appointment. To help me not to miss your incoming e-mails, **please start the subject line with “5140489” (Course No.)** when you send e-mails to Nishizawa’s.*