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PUBLIC PRIVATE PARTNERSHIP (PPP): A FUNDAMENTAL RESEARCH OF PUBLIC SECTOR COMPARATOR (PSC) FOR VALUE FOR MONEY (VFM) ASSESSMENT METHOD

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KELULUSAN PERMOHONAN DANA KECEMERLANGAN FASA 2/2009
TAJUK PROJEK : *PUBLIC PRIVATE : A FUNDAMENTAL RESEARCH OF PUBLIC SECTOR COMPARATOR (PSC) AS AN EVALUATION TOOL FOR VALUE FOR MONEY (VFM) ASSESSMENT*

Dengan segala hormatnya perkara di atas adalah dirujuk.

Dengan sukacitanya, Institut Pengurusan Penyelidikan (RMI) mengucapkan tahniah kepada tuan/puan kerana telah berjaya ditawarkan Geran Dana Kecemerlangan bagi projek penyelidikan tersebut.

Syarat-syarat kelulusan Geran Dana Kecemerlangan adalah seperti berikut :

i. Tempoh projek penyelidikan ini ialah dua (2) tahun, iaitu bermula **15 Jun 2009** hingga **15 Jun 2011.**

ii. Kos yang diluluskan ialah sebanyak **RM12,000 sahaja** dalam **Kategori D.** Tuan/puan diminta mengemukakan proposal beserta bajet yang baru seperti yang dicadangkan oleh panel penilai (sila lihat lampiran penilai yang disertakan).

iii. Pembelian peralatan komputer/printer/PDA/alat multimedia adalah tidak dibenarkan.

iv. Setiap pembelian bahan atau peralatan hendaklah mematuhi Prosedur Perbendaharaan Bendahari yang telah ditetapkan contohnya setiap pembelian aset/bahan melebihi RM500 hendaklah disertakan sebutharga dan borang analisa harga. Pihak tuan/puan juga diminta untuk mengembalikan peralatan (aset) yang dibeli ke fakulti atau kampus cawangan setelah tamat projek penyelidikan.

v Pihak tuan/puan dikehendaki mengemukakan laporan prestasi secara ringkas pada setiap enam (6) bulan sepanjang tempoh penyelidikan tuan/puan berjalan.

5. Report

5.1 Proposed Executive Summary

Over the last decade, the term Public Private Partnership (PPP) has become one of the most politically and socially fashionable terms used in developed and developing nations. It is to describe a vast range of the collaborative working environment between a government, private sector(s) and end users. Many countries around the world had successfully implemented PPP projects and had benefited from the implementation results such as UK, Australia, Hong Kong, Japan and USA. The trend is also similar in Malaysia. The government of Malaysia is now emphasising on the PPP approach because PPP is claimed to offer value for money (VFM) as compared to traditional procurement over the life of a particular project. Indeed, VFM is the main justification for choosing public or private finance for delivering public services.

The evaluation of a project proposal will be carried out through a bidding process and all proposals will be evaluated on the basis of VFM which evaluates its costs and benefits. The bidding proposal will be compared against the Public Sector Comparator (PSC) which acts as a checker for the items and costs stipulated in the tender document. PSC is a hypothetical estimated and risk adjusted in delivering the project output. It is expressed in terms of the net present cost of providing the output under a public procurement using a discounted cash flow analysis. PSC is used to determine whether a project would be better delivered by the government or through private sectors. It also includes the value of shifting project risk from the government to a private party. The cost of capital expenditure and the maintenance of the project throughout the life of the whole project must be lower than the PSC benchmark.

The PSC model has been adopted by many countries across the globe such as United Kingdom, Australia, Hong Kong, South Africa and Canada. This is in line with Malaysian PPP which established that PSC will play an important role as a benchmark to ensure that government gets VFM. Nevertheless, the method has come under growing criticism in terms of whether PSC calculation is the most appropriate way to evaluate VFM due to the ambiguity and complexity problems.

5.3 Introduction

Globally, Public Private Partnership (PPP) is seen as an effective way to achieve value for money (VFM) in delivering of public projects. VFM is the term used to assess whether the organisation has obtained the maximum benefit from the goods and services it acquires over the whole life of a project. Principally, VFM will be determined through the evaluation of financial and non-financial aspects to assess a range of project outcomes. It is usually associated with utilising innovative capabilities and skills, efficiency savings, fitness for purpose and best possible risk transfer to private sector. In order to assess whether a PPP proposed project is the optimal solution, it is necessary to determine whether it provides the best VFM outcome. The achievement of a VFM outcome is a crucial concept throughout the procurement process in all aspects of the project. Assessing the value of these variables requires a degree of judgment and the use of both quantitative and qualitative analysis.

Principally, there are many techniques in quantifying the VFM in PPP projects. For example, there are four main alternative approaches to provide the core test of VFM by researchers (Grimsey and Lewis, 2005). These are full cost benefit analysis, PSC-PPP comparison, UK style PSC –PPP, and competitive bidding (Sach et al. 2005). Nevertheless, PSC is one of the most popular techniques in assessing VFM. The Public Sector Comparator (PSC) is the technical construct developed to test whether privately financed arrangements provide superior VFM to traditional bundled procurement methods. English & Guthrie (2003), describe PSC as an estimated reference project to provide the same level and quality of service expected of the private sector alternatives. It requires assessment of net present costs and risks over the life of the project. Public Sector Comparator (PSC) has been the most common tool used by the public sector to show how much it would cost the government to build the asset through public funding.

Predominantly, the implementation of the PSC as a tool in evaluating the VFM has been a trademark of most countries across the world such as UK, Japan, Australia, Hong Kong and Canada. In Japan the public sector must