TRANSCRIPT

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Inquiry into the public housing renewal program

Melbourne — 10 November 2017

Members

Ms Margaret Fitzherbert — Chair	Ms Fiona Patten
Ms Nina Springle — Deputy Chair	Mrs Inga Peulich
Mr Joshua Morris	Mr Adem Somyurek
Mr Daniel Mulino	Ms Jaclyn Symes

Participating Members

Ms Georgie Crozier	Ms Colleen Hartland
Mr Nazih Elasmar	Mr Gordon Rich-Phillips

Witness

Dr Peter Raisbeck.

The CHAIR — I would like to welcome everybody present to this public hearing of the inquiry into the public housing renewal program. Dr Raisbeck, welcome to this public hearing. The evidence is being recorded. All evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action for what you may say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. I would invite you to address the committee; we are interested in hearing what you have to say. I am hopeful that you might have an opening statement of no more than about 10 minutes to allow time for questions.

Dr RAISBECK — Thank you, Margaret; maybe 15, but we will see how we go.

The CHAIR — Let us see how we go.

Dr RAISBECK — I would like to thank the committee for this opportunity to talk about the work that I did in 2012, which was an evaluation of the Kensington redevelopment and place management model. It was a research contract between the University of Melbourne and DHS. The work in the report was completed over five years ago, so I have had to quickly get up to speed and refresh my memory, which I think I have pretty much done. I primarily worked on chapter 6, which was a quantitative or financial analysis of the Kensington redevelopment.

What I want to do today is to try and carefully step you through the analysis — I have given you some notes. I will start with the initial aim of the analysis. I will talk a little bit about the financial structure of the project. I will talk about some of the data gathering issues that we had, land valuation issues, a little bit about the 30-70 public-private mix. I will then talk to you about the methodology that I used in the quantitative analysis, which was essentially based on Partnerships Victoria methods, particularly technical note 2 on public sector comparators. Then I will talk a little bit about whether or not I felt it was value for money from a DHS perspective, overall numbers of public housing in the redevelopment, which is another issue, and then conclude.

Chapter 6 in the Kensington report discusses the financial structure of the redevelopment. The aim of this aspect of the evaluation was to assess the up-front cost of the redevelopment, and a key factor or aim was to employ a public sector comparator methodology. A public sector comparator method compares the cost of, say, the redevelopment if it was a full public-private partnership, where private sector takes on all the risk, or if it was a joint public-private delivery partnership, which was more the case here. It then compares that against the likely cost if it was completely delivered by the public sector, and the methodology is in technical note 2 in Partnerships Victoria material. I have also included in your notes a diagram of the methodology that we used.

At the time the redevelopment of the Kensington estate was one of the largest public and private joint partnerships or privatisation programs — it was not strictly a public-private partnership — to deliver public housing in Australia. Many of these joint partnerships are complex and bespoke arrangements, and they are often made reflecting the type of project, the different parties involved, the particular form of procurement adopted, market conditions and also the availability of finance.

I have included a diagram in your notes, and the diagram indicates the complexity of the redevelopment and how its financial structure changed over time. It describes, or tries to describe, the flow of funds from DHS for, say, demolitions and relocations; from DHS to the developer, Becton, for design and construction; and from Becton, the developer, back to DHS for land sales.

The CHAIR — Dr Raisbeck, thank you for providing us with the very detailed chapter, which we received last night, and I think most people have had a chance to have a look at it. It is very complex. If you can get through it in 10 minutes, you deserve a medal. Can I suggest, if it is all right with you, people might feel free to ask questions as we go through, if that is all right.

Dr RAISBECK — Sure. Yes, that is fine.

The CHAIR — I have a short question about that diagram. When you say it changed over time, I assume you mean that it was set up to change over time, or do you mean the actual model changed as the project proceeded?

Dr RAISBECK — The model did not change. The flow of funds and the way things happen changed over time. One of the key changes over time was that a management committee was set up to operate the redevelopment and then over time that changed to UCL, which was Urban Communities Ltd, which was a not-for-profit service property management company. So that was one of the key changes. But I think in essence — I am trying to rush through this — the diagram shows you just how complex these arrangements are, and our work was to try and unpick this and then understand it to see if —

The CHAIR — If it worked.

Dr RAISBECK — value for money had been achieved by DHS. One of the problems that we had — and I will talk about this quickly — is data. As indicated in the Victorian Auditor-General's report of 2012, which we looked at, there was not at that time a systematic approach in DHS to gathering quantitative data for measuring, comparing or modelling quantitative housing outcomes. We had a lot of problems. The lack of available data affected the analysis in a number of respects. These included the lack of comparative historical data regarding operational expenditure for Kensington or other DHS sites.

Ms PATTEN — Why could you not get that? I would have thought that would have been public information.

Dr RAISBECK — We asked them and we asked them. My recollection is that in the steering committee meetings we asked them and asked them; they just did not have it. And I think they —

Ms PATTEN — So they did not know how much it was costing them?

Dr RAISBECK — I do not know. You would have to ask DHS.

Ms CROZIER — I was going to ask, and my apologies for interrupting again, but that seems to be quite a critical point in relation to how the department is managing some of the housing projects.

Dr RAISBECK — Yes.

Ms CROZIER — Would you agree?

Dr RAISBECK — I would think so.

Ms CROZIER — I would be interested in your conclusion.

Dr RAISBECK — And I think my final conclusions address that. And fair enough, alongside that, commercial-in-confidence provisions also limited the amount of data that we could get from the developer and also from the management company. The not-for-profit service property management company, we also could not get some data from them; for example, the number of types of units that were under management by them at any time. What I have got there is a table that shows the data sources that we had and what the gaps were, so I will not go into that.

We could not really verify the accuracy of the data provided to us by the developer. It is possible that the developer may have overstated the cost of the units to build and understated the revenues that they received from them, as most developers and contractors will. Nevertheless, we took that at face value. It is interesting that at the time we compared what had happened with this particular redevelopment and a very large housing redevelopment in the New South Wales jurisdiction, which was the Bonnyrigg housing development. That was more of a full public-private partnership where it was financed by the private sector. They, for that particular project, did a comprehensive public service comparator which calculated the difference of providing it by the private sector compared to the public sector, and that was published in 2006. So for this development there was no such transparency, I guess.

The CHAIR — Dr Raisbeck, can I ask, when New South Wales used a comparator, which one did they use?

Dr RAISBECK — It would have been the similar one. In fact it was probably the same one, because I think at that time Partnerships Victoria was really in charge of Victoria's public-private partnerships like Southern Cross station and, I think, the convention centre and some of the hospitals. So in many respects Victoria during that time was a leader in public-private partnerships through Major Projects and Partnerships Victoria. They had pretty advanced quantitative skills, methodologies and benchmarks that they used. I think from memory they used that one; there is not that much difference between them.

The CHAIR — Yes, I would assume they did.

Dr RAISBECK — The table and the notes that I have got summarise the availability or lack of data and the impact of this on our analysis. So I think in some ways our analysis was very much an exercise, I would regard, in forensic accounting, but even so —

Let us start with the land now that we have given you a bit of an overview. The research team had access to some of the sale of land contract files archived at DHS, and again these only provided partial information for the land sales settled from various times from 2002 to 2009. Early on in the files that I saw there seemed to be a couple of different valuations, one valuation by Arthur Andersen dated October 2000 valuing the land at $9.25 million. This particular letter was only sighted by me once. Another valuation in the archive, by the valuers O'Briens, outlined two scenarios for the valuation of the land, one at $10 million and another at $5.5 million. I will talk a little bit more about the land valuation later.

The other thing that I want to talk about now is the mix and the historic development of the financial structure.

Ms PATTEN — So, Pete, can you speculate at all as to why there were such widely divergent views?

Dr RAISBECK — No, and there were no other files. And to be honest with you, as you are a committee in the Parliament, I went to DHS, I looked at the files and I saw the Arthur Andersen valuation, which was $9.25 million, and when I went back again a second time to double-check I could not find that particular file. I thought, you know, 'Was I then imagining it?'. I think initially I took some notes. But it seemed to be these were the figures that were floating around, one at $10 million and one at $5.5 million. I will talk a bit later as to the difference that that valuation might make to the overall financial rationale for the project.

Now in terms of the 30-70 mix, 30 per cent public and 70 per cent private, this idea or notion or ratio appears to have come out as a result of a series of qualitative consultancy reports prepared for the Kensington estate redevelopment advisory committee; in other words, the advisory committee which sat before or worked out what they were going to do with the estate in 1999. This mix of 30:70, once determined, formed the key element of the redevelopment's financial structure, but there were no alternative quantitative forecasts and none appeared to have been undertaken regarding the initial proposal for a 30-70 mix of new public and private housing units. In other words, it appears that prior to tender no quantitative business case was prepared to explore the implications of this mix for cash flows and the risk profile of the project.

From memory, my understanding is that the authors of that report — I think Perrott Lyon Mathieson did the report and tried to work out what the mix should be for the estate — got qualitative data from developers and said to them, 'What should the public-private mix be?', and the developers said, 'Oh, maybe it should be 30 or 70', or 'maybe it should be 25-75' — I do not know. It was really just based on qualitative information.

In any case the project was tendered and then contracted on a 30-70 public-private mix which, as stated elsewhere in the report — in other bits of the full report — led to a loss of 176 units of public housing, and that actually takes into account the fact that the DHS replaced 89 units, so the total loss was 176 plus 89, and I will talk a bit more about that.

I have listed a table which shows the assumptions that I employed in the quantitative analysis. Because it was kind of a forensic exercise and I was trying to fill in the gaps, I was quite careful about what those were. I used the public sector comparator methodology to discount cash flows back to June 2002, which is the point at which the development agreement was signed between DHS and Becton.

The main aim of the exercise was to say whether or not the net present cost analysis that I did showed that in fact it was value for money for DHS or taxpayers or whatever. For a bit of finance technical stuff, I used a risk-free rate of 4.95 per cent, an inflation rate of 2.5 per cent, and at the time this was in line with Partnerships Victoria guidelines, as per their technical note 2, and it is free, talking about discount rates for inputs into these kinds of Partnership Victoria projects.

I then did some modelling and some scenario analysis and had a look at what would happen. Scenario 1, as the table there shows, is pretty much what I worked out in terms of the 30 per cent public and 70 per cent private mix. I then said, 'Well, what would happen if it was in fact a 50 per cent public and 50 per cent private mix?', and I have got some numbers there, and, 'What would then happen if the public mix was totally 100 per cent?', and then also, 'What would happen if those land valuations were $10 million rather than $5 million?'. So it looked at a range of different things.

What I then concluded in scenario 2 was, interestingly enough, increasing the public-private mix to 50-50 would have had the effect of increasing the project cost to the public by $9.46 million — it does not seem like a lot now — but correspondingly would have reduced the cost to the public per unit to $161 000 because of the much lesser cost for relocations and spot purchases needed in the whole thing.

Scenario 3 shows what would happen if the public estate had been redeveloped as completely public. The overall cost to DHS in that case would have doubled the cost from $41 million to $82 million but it would have lowered the cost per unit.

Scenario 4, where the land price valuation is doubled from around $5 million to $10 million, suggests that obviously that increase would have reduced the profit margin or the internal rate of return to the developer. I think from my analysis it would have meant that the developer's internal rate of return, or I guess profit margin, would have reduced, on those figures, from 27 per cent to 22 per cent — so 22 per cent if the development land valuation was $10 million, 27 per cent based on the development land valuation of $5 million.

Ms PATTEN — Did I read somewhere that the actual sale price was more like $3.7 million?

Dr RAISBECK — What I then calculated — and again I do not know that I had access to all of the land sale information when I looked in the archives at DHS — but when I counted them all up, what I got was $3.75 million, and again you get some idea that that might have obviously pushed the profit for the developer up.

What I conclude is, just to reiterate, in the scenario 2 analysis increasing the number of units to 50 per cent of the development of the site could have been done at a relatively low additional or marginal cost to DHS. What I would say is that, and I will reiterate this at the end, in future redevelopments the above scenarios indicate the need for DHS to model at an early stage different outcomes that account for construction costs, relocation costs, relocation logistics and the impact of these on the optimised public and private housing mix.

I then had a look at what actually happened with the actual tender bids and the actual final construction costs, and there is another table there that shows that analysis. Generally what I concluded was that the contract price received from the developer was probably within 10 per cent of what I estimated the design and construction cost or the net present cost for the project should be at June 2002 figures. So that is probably pretty much an acceptable outcome, and it indicates that the original tender price probably was quite competitive.

I then had a look at the developer profit and had a look at some of the things that the developer had — I think there is a bit in the report, which I will not talk about today — had disclosed to the stock exchange because they are a listed company. On my estimate, and this is of course an estimate only, I felt that the profit margin for the developer across the project was in the order of 37 per cent. There was a final stage of the project which was added in — a number of new units were added in at the final stage of the project — and the estimated profit for this final stage of the project was about 50 per cent. It is possible that the actual profit was higher; I do not know. It could be lower, but it is possible that it was higher because that was based on some of the information that was provided to us by the developer and we had no way of knowing about its accuracy, but we then used that information to make our own estimates. So the figures that you see in those tables are not the developer's figures but our own estimates.

A key point is the overall numbers, and I think there is another submission from one of the other co-authors who talks about this in detail. There are in the report, in the other chapters — I think, chapter 7 of that report — issues about the numbers. Prior to the redevelopment the estate had 694 old and deteriorated public units in three high-rise towers and 18 walk-ups. By all accounts Kensington was the worst of the worst. One tower and all the walk-ups containing 491 units in total were demolished, so 491 units were demolished. DHS then built 205 new built units through this mechanism of the Kensington redevelopment and gained another 21 through additions and conversions. Hence, when you do the calculation, 265 public units were lost from the estate and DHS replaced 89 of those through spot purchase programs, so that left a net loss — gross loss? — of 175 units.

The financial analysis that I have done in chapter 6 does not take into account the net loss of those units because there is no way of knowing that I could value that. I mean, if I did, we could say the net loss of public housing units in a well located area — I do not know how I would value those.

So in conclusion — we are up to the conclusions and the conclusions cover some of the things that I have already said — I think overall the project, as a project, generally proceeded on budget with minimal cost overrun to DHS. On this basis the project seem to represent cost-effectiveness to DHS. However, a range of hidden or missing costs to DHS in the development are either hard to estimate or were generally unaccounted for. As stated earlier and as we have discussed I think briefly, there were three land valuations: around $10 million and second valuations at $9.25 million and $5.5 million respectively. It appears that DHS actually received about $3.76 million in June 2002 dollars. On face value, in terms of the land valuation, it does not appear to represent value for money, but I do not know how much other data is missing.

Our estimate of total cost to DHS of demolitions, relocations and purchase of the new build, but not including additions and conversions, is about $45 million in June 2002 dollars. This amounts to $215 000 per unit, which is probably a reasonable price given market conditions, and probably on that basis, as a design and construct contract, represents cost-effectiveness for the state. But it does not take into account the loss of 265 housing units, the repurchase of new units in the inner-city area and those units lost with high amenity, or the other costs that may have been associated with housing equivalent number of households elsewhere.

Again, to conclude and reiterate, the 30-70 public to private mix is not particularly justified anywhere and represents a significant advantage to the developer. The profit to the developer was estimated to be around $44 million in June 2002 figures. This figure may be an underestimate. It is reasonable for taxpayers to suspect that such use of inner-city public land should generate a return for both developer and state. The approval of 57 additional private units in stage 10, which added significantly to developer revenue and profit but with no benefit to the state and possibly arguably to the detriment of residents of the estate, was completely unexplained as to how this was negotiated.

At the time — and I talk more about this in detail in the full chapter — the anticipated return to the developer appeared commensurate with the possible high-risk nature of the redevelopment. I got the impression that the developer thought that these kinds of estates had stigma attached to them because they had social housing on them and therefore they were high-risk. As it turned out the project was lower risk in comparison to what would be accepted now. At the time of the writing of the report we said that in future lower risk should of course be equated with a lower return to the developer and perhaps a higher return to the state in exchange for the sale of the public land.

Just by way of interest, if you look out of the window, you can see in the current apartment boom that building housing for developers, whether it is in the city or whether it is in the inner-city ring, is actually in many respects a lower risk exercise or they would not be doing it. Given the estimate of the developer's profit in this case, which we estimate at about 37 per cent, it was suggested that in the future inner-city estate redevelopments a profit-share arrangement be considered by DHS, which is certainly the case in some of the other procurement models that you might find in relation to public-private partnerships, both previously in Victoria and Alliance projects.

It was concluded that future developments consider increasing the proportion of public housing. The impact of the 30-70 public-private mix on cash flows to both private and public stakeholders was not quantitatively examined by DHS. At Kensington the rationale for this mix appears to be based on qualitative data — dare I say guesswork. I think that pretty much sums it up, so if there are any questions, that would be great.

Ms CROZIER — Thank you very much, Dr Raisbeck, for that very comprehensive overview of the work that you have been undertaking. You told us that there was a loss of — I cannot recall how many units — 160 of 190 —

Dr RAISBECK — I can give it to you in more detail if you like.

Ms CROZIER — I just want to ask about that. Whatever the figure is does not really matter, but it seemed quite a substantial number. I just wonder: was there in your view too much focus on the design of the estate rather than what was required for the housing development in terms of what it needed to achieve. That was a significant loss, I would have thought.

Dr RAISBECK — I think that is a good question. The design of the estate, as to what they actually got, was okay. I think the actual on-the-ground design was fine. It was a pretty steep site, because there is a big drop in the site as you go from one side to the other. But in terms of strategic design, I guess meaning how many public people should be in there and how many private people are in there, I am not sure that that was really well thought about. I do not know what the view in DHS was, and I am only guessing that they thought, 'Well, we've just got to clean this estate up, and this is the way to do it', and as a result of that they lost that amount of housing.

There are other figures in chapter 7 of the report, and you might want to jot these things down. In 1971 there were 738 total units. Some of those were converted from bedsit flats to one-bedroom flats; some of that mix was changed. In 1998 there were 694; 491 were then demolished between 1999 and 2003. DHS did some additions and conversions, which added 21. They then added in 205 new public units, giving the new total when the whole redevelopment was done of 429.

Ms CROZIER — So that is significantly less than the 1971 —

Dr RAISBECK — Yes. It should be 429 plus the 98 spot purchases, because then they said, 'There's people moving out, so we can go around and buy other houses in Kensington or further afield'. So it was a pretty significant loss.

Again at the time I think there might have been a perception that 'We've got to clean this thing up. We're a little bit unsure how the public-private mix will work in terms of whether private people will buy in next to social housing', or whatever. I think there was some of that feeling. But from my point of view I would like to think that in the subsequent developments, and as a result of this report, DHS was able to negotiate stronger agreements in subsequent and ongoing redevelopments, and that DHS was or are able to do a much better quantitative analysis or business case. Basically there was no business case for this.

Ms CROZIER — On the back of that, how often does DHS do valuations of these —

Dr RAISBECK — I have no idea. You would need to ask DHS.

Ms PATTEN — Just following on from that, I was wondering if you had seen any subsequent business cases, for example, with Carlton or any of the other ones?

Dr RAISBECK — No.

Ms PATTEN — So you are assuming that they do business cases.

Dr RAISBECK — I am assuming that they do, but I do not know. I do not know whether or not any of the lessons from this report were then evaluated. I think we seem to suggest that all factors should be taken into account when assessing these kinds of developments, and they should be taken into account as a quantitative business case. And then we are also suggesting that it is not unreasonable for the state to have a profit share if, for example, market conditions change and the developers can sell things for more or less, or whatever. I do not know what the story was with the land valuations at the very beginning. There seems to be some ambiguity as to how that came about. I do not know what the decision-making process was there, and I have no idea what happens with land valuations in current arrangements and ongoing projects. That is not to suggest that there has been any wrongdoing or skulduggery, but I think what I am suggesting is that these things need to be transparent and well thought out. Does that answer your question?

Ms PATTEN — No, or yes.

Dr RAISBECK — Sorry, I am an academic after all.

Ms PATTEN — Yes, the answer is no. You seem to be implying in some of your papers, when you are looking at where the sweet spot is in these developments, that at 50-50 the cost of getting a 20 per cent increase in public housing is not a great deal. That is kind of where you find that sweet spot, and the developer is still getting a good return on the mix.

Dr RAISBECK — That is what I suggested or concluded in this analysis, and I think that is why it is very important for projects going forward to look at that strategic design stage and say, 'Well, here is the site. How many units can we put on the site to start with, how many of these should be private and how many should be public?'. I think housing and master planning of medium-density and high-density housing in many respects is a numbers game. It is about slicing and dicing. How many one-bedroom, two-bedroom, three-bedroom? What sorts of units have you got? How big are they? Where are they going to go on the site? What then might be the mix? It is not unreasonable to say, 'Well, we can do a business case to see what the optimal amount might be for a particular site'. I think just saying, 'It should always be 30-70 or it should always be 50-50', or whatever it is is fine to say that, but if you do not have some sort of reasonable business case based on good solid data, then you are just guessing and your decision-making will be flawed.

Mr MORRIS — Just to further explore that percentage of public to private apartments and the like that may be developed on the site, do you have a view on what would happen to the risk profile of the potential development if you are to compare a 30-70 public to private to, say, a 50-50 public to private?

Dr RAISBECK — I was telling Fiona previously that I speak from some experience because I actually brought a private unit in the Carlton stage 1 — I think it was stage 1, stage 1A — development at the top of Cardigan Street. I do not think it is going to matter in terms of the social outcomes. I think from that point of view — and the other chapters of the report I think address that — for me, from my little chapter of the report, it is really about the numbers and saying, 'Can we optimise what the state gets, can we optimise the number of public people in here and then can we also optimise some benefit for the developer if we are having a joint arrangement like this?'. So I do not think a higher mix is going to be a big deal. And then when you look at the actual estate, because at Kensington there are already some towers there and it has already got units there, and the actual mix — in fact the final mix, including the existing towers — is much closer I think to 50–50 anyway. So I would not have a problem with that.

The CHAIR — Dr Raisbeck, I have just got a query that comes out of the last page of the document that you sent through to us, where you refer to the approval of 57 additional private units in stage 10. When exactly did that happen, and whose decision was it?

Dr RAISBECK — I have no idea, and I think there were a couple of little nuances that we tried to work through in the report. On the diagram that I have provided you with you can see that, I think it was stages 10A — I am just trying to remember — and 10B that were added in. I do not know how that was negotiated between DHS and the developer. I think the master plan was redone, and they just did it.

One of the issues which I might mention, which might have some bearing on that in our analysis of the overall redevelopment, is the redevelopment took 10 years and there were some issues about why it was taking so long. One theory was that the developer was gaming the market and trying to build things and position things for sale at an optimal time for the market. That is one theory. Maybe that is true, maybe not. They were probably doing a little bit of that; of course they would. But the other thing to remember is that during that period there were downturns in the housing market in 2005 and 2008, so obviously they might have slowed down a bit. My guess is at the time that that last stage was built and put onto the market, they did pretty well out of it.

The CHAIR — Just to clarify, that was a contract variation or something well after the start of the process?

Dr RAISBECK — Yes.

Ms CROZIER — Just one final question, because I know we are out of time. Just thinking about this in terms of that mix and the number of public housing units that have been lost and knowing that we are in a very expensive market in the inner-city areas, should the department be looking at a more practical realisation of the market and change that mix so that they are getting a greater return and so that other areas can be built? We know that there are increasing numbers of need in the public housing space. We are all concentrating on the inner-city areas, but the reality is that property is so expensive. Should the government be maximising that and trying to accommodate them somewhere else?

Dr RAISBECK — That is a very good question. Housing is a very complex issue and housing policy is a really complex issue. I think you could say yes, we are going to develop these inner-city housing estates because we have got a lot of valuable land, we are going to develop them in this way and the profits that we receive as a state are going to be doing these other things in other places.

Ms CROZIER — That was my point.

Dr RAISBECK — I think that is probably reasonable, but I think that needs to happen within the context of a broader comprehensive and integrated housing policy. I am not a politician, but my guess is as soon as you start playing around with the estates and saying, ‘Well, we’re going to put a whole lot of gentrified people like me into them’, everyone is going to go, ‘Oh!’. There are going to be those sorts of conflicts, but if there is a way of them saying, ‘Hey, we’re putting this money in other places’ —

A different example, but probably a good example of it might be the MCC. I think the MCC sold some of their landholdings in the city. Was it their interest in QV or the city square? I cannot remember what it was. Then they used that money for Council House 2, which then became an innovative sustainable office building. If DHS and government policy had said, ‘We’re going to do this here, but the upshot is we’re going to do something really innovative and great elsewhere that is going to help other people’, that would be good. But here I think it was a patchwork. This is a nice way of putting it — an ad hoc policy. Yes, the actual project itself seemed to be reasonably well managed, but there was a lack of transparency in it and there was also no overall accounting for the numbers. I hope that answers your question.

Ms CROZIER — Thank you. It was most helpful.

The CHAIR — I am conscious we are very close to time, but I have one final question, which is: if I recall your evidence correctly, you said this was not a PPP. How would you characterise it?

Dr RAISBECK — In the PPP academic literature there are all kinds of different things. There are BOOT projects and design, build and own projects. It is not a full PPP, but I think the best way of describing it would be to call it ‘a joint public-private delivery mechanism’. This is the problem with these kinds of arrangements. They are very complex. They are bespoke arrangements and each one does not necessarily fit any particular template.

The CHAIR — Dr Raisbeck, thank you very much for your evidence this morning.

Dr RAISBECK — Thank you so much. I hope that is helpful to you. Good luck with the rest of your day.

The CHAIR — We will provide you with a copy of the transcript within the next few weeks for checking.

Witness withdrew.