

MLP Supplementary Guidance: Criteria for assessment

The Market-Led Proposals Guidelines (the Guidelines) set out six assessment criteria. This supplementary guidance note provides additional information on how the criteria are defined, and how they have been applied in practice.

- To progress to **Stage 2: Detailed Proposal** your proposal must meet criteria 1-4.
- To progress to **Stage 3: Final Binding Offer** and, ultimately, to contract close your proposal must meet all six criteria.

Each proposal is different and the criteria for assessment can be met in a range of ways. While this note includes examples of Market-Led Proposals (MLPs) which have been successful to date, it is intended as guidance only: there is no guarantee that proposals similar to those described will satisfy these criteria in the same way.

You are encouraged to discuss the below criteria, and their applicability to your proposal, in detail with the MLP team during the preliminary assessment phase.

[1. Government policy, priority and community need](#)

[2. Justification for direct negotiation](#)

[3. Value for money](#)

[4. Capacity and capability of the proponent](#)

[5. Risk and cost allocation](#)

[6. Feasibility of the proposal](#)

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1. Government policy, priority and community need

Your proposal must satisfy a community need and align with government's policy and priorities.

Application in practice

To meet this criteria your proposal must satisfy both elements: that there is a genuine community need for the development or service, and that the fulfilment of that need aligns with the priorities and policy of government.

For example, through the MLP program the government has received a range of proposals to provide health, public transport and community services. On the face of it, such proposals may well meet identified community needs. Similarly, proposals have been received which intersect closely with Government policy in the areas of innovation, bio-energy and regional development.

Government has finite resources, and the benefits of each proposal are weighed against the likely benefits to government and the community of the alternative uses of the asset or resources sought in the proposal. This sets the relative priority rating of the proposal. A proposal that is likely to provide better value to the government than alternative options has a good chance of meeting this criterion.

MLPs are well suited to commercial projects which can be funded by the private sector, such as on a user pays basis, where the government contribution is relatively minor and is outweighed by the economic and other benefits. Proposals which seek government funding will be considered, however a successful MLP would generally be expected to present a "low cost, low risk" proposition to government.

In considering "value", the direct financial value of the government asset or resource is not the only consideration. For example, government owned land will have a dollar value if sold on the open market. However, if a proposal offers broader benefits to government (e.g. economic growth, reducing future demand for government services) this will also be taken into account when assessing the value to government. Proposals which are of economic or social significance to Queensland or a specific region, such as those which will support a large number of jobs or will generate significant economic activity beyond the project, are highly regarded.

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Examples of the community benefits offered by MLPs which have been assessed as sufficiently meeting a government priority, in alignment with government policy, and which have progressed to *Stage 2: Detailed Proposals* are provided below.

Proposal	Community benefit
Logan Motorway Enhancement Project	A reduction in traffic congestion and travel times, and improvements in safety and connectivity with other major networks, at no cost to government.
Brisbane International Cruise Terminal	Maintenance and growth of Queensland's share of the cruise ship market. The proposal is to capture the significant economic benefits associated with a dedicated mega cruise ship facility, in exchange for access to government land.
Queensland Aquarium and Maritime Museum	Redevelopment of the existing Queensland Maritime Museum, providing a new, world-class aquarium alongside Brisbane's South Bank. The proposal will deliver a riverfront pedestrian and cyclist link between South Bank and Kangaroo Point, and enhance education opportunities, in exchange for access to government land.
Mt Cotton Driver Training Centre	Purchase of the facility from government, and the upgrade and expansion of the centre to better promote driver safety and best practices, with the aim of reducing road accidents, injuries and deaths.
Prince Charles Hospital Car Park	The construction of additional parking for staff and patients, and construction of office accommodation for 500 staff, in exchange for an extension to the proponent's existing exclusive contract for the management of all paid parking on the campus.

2. Justification for direct negotiation

The proposal must demonstrate that the public interest is best served by government negotiating directly with the proponent, rather than by engaging in a competitive process.

Application in practice

The government will usually run a competitive process when purchasing services or infrastructure or when making government assets available. This is usually the best way to ensure value for money for Queensland. However, the MLP process results in government contracting directly with a proponent rather than offering the opportunity to the market. Therefore, a key criterion is the justification for negotiating directly.

Indicators that there may be justification for direct negotiation:

- You have an existing right and/or possess Intellectual Property that means you are the only one who can provide the service/infrastructure.
- You can provide the service or infrastructure within a time frame that your competitors could not (at similar cost), and there is value to the government in progressing the proposal as soon as possible.
- Your proposal offers at least as good value to government as your competitors would offer. This is not only about the lease/purchase price or fee but may include community benefit, and the level of risk that you are willing to take.
- You can offer benefits that your competitors cannot, such as market reach or the extension of an existing relationship with a community.

Indicators that there may not be justification for direct negotiation:

- The product or service you are offering (or a product or service with similar outcomes) is readily available from other providers.
- It is a request for funding that is available under an existing government program.
- The government has sought or plans to seek offers from the market for the same or similar products.

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Justification for direct negotiation is usually based on a combination of factors as shown below for each of the MLPs which have progressed to *Stage 2: Detailed Proposal*.

Proposal	Justification for direct negotiation
<p>Logan Motorway Enhancement Project</p>	<p>Existing contract and timing</p> <p>Transurban has an existing contract with government as operator and maintainer of the Logan, Gateway and Gateway Extension motorways. It is the only proponent which could feasibly deliver an enhancement to the Logan and Gateway motorways on an economic basis at this time.</p>
<p>Brisbane International Cruise Terminal</p>	<p>Cost/Risk proposition and existing market position</p> <p>With the support of major cruise ship operators and future users, the Port of Brisbane (PoB) intends to construct and operate the Brisbane International Cruise Terminal the terminal at no cost or risk to government.</p> <p>PoB intends to leverage its existing facilities (which are adjacent to the Cruise Terminal site), and the existing swing basin for large ships at the proposed site, to improve the commercial viability of the project.</p>
<p>Queensland Aquarium and Maritime Museum</p>	<p>Cost/Risk proposition and sustainability of the Queensland Maritime Museum</p> <p>The consortia proposes constructing and operating the Queensland Aquarium and Maritime Museum at no cost or risk to government.</p> <p>The Queensland Maritime Museum, a member of the consortia, has a long-term lease for its Southbank site.</p> <p>The proposal would improve the long-term viability of the Queensland Maritime Museum, reducing the State’s potential funding support.</p>
<p>Mt Cotton Driver Training Centre</p>	<p>Expertise, community standing and scale of proposal</p> <p>RACQ has a strong history of providing driver training and safety initiatives and has worked with the Queensland government over a number of years.</p> <p>RACQ is a significant Queensland institution where approximately one in three Queenslanders are members, with a focus on delivering benefits and outcomes to the broader Queensland community.</p> <p>RACQ does not have any direct competitors in Queensland who could match the scale of RACQ’s proposal.</p>
<p>Prince Charles Hospital Car Park</p>	<p>Existing contract and timing</p> <p>International Parking Group (IPG) has an existing exclusive contract with the State to provide car parking at The Prince Charles Hospital site until 2022.</p> <p>There is an immediate need for car parking and office accommodation at the site which justifies negotiating with IPG now rather than including the construction of additional car parking and office accommodation as part of a future competitive process.</p>

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3. Value for money

The proposal must deliver a value-for-money outcome to the State, which can be determined in the absence of a competitive market.

Application in practice

Value for money is the balance between what is being sought from government and what the government receives in return. It is not solely about the direct financial cost or benefit to the government, and includes the consideration of broader benefits such as reducing future demand for government services or supporting economic growth.

In the absence of a competitive process (such as an open market sale or tender) there are a range of ways that the value of a proposal might be demonstrated including:

- independent valuation of a right or asset if sold on the open market
- an estimate of the likely savings to government of forecast reduced future demand for services
- an open book process where the proponent provides detailed information to the government about the business model, demonstrating a value for money outcome that is likely to meet or exceed that of a 'next best alternative' proposal
- competitively tendering elements of the proposal.

You are asked to set out, in your proposal, how value for money could be assessed.

Examples of proposals which have progressed to detailed assessment, or have been successful through the MLP process include:

Proposal	Value proposition to the State
Logan Motorway Enhancement Project	The project will deliver significant upgrades to the existing Logan Motorway, to be funded wholly by user charges (tolls). Competitive processes were run for the construction of the enhancement to ensure value for money and to keep toll charges as low as possible. All other aspects of the proposal were subject to appropriate value tests.
Brisbane International Cruise Terminal	The new Brisbane International Cruise Terminal will be delivered at no cost to government, to be funded by wharfage and terminal access fees.
Queensland Aquarium and Maritime Museum	Construction and operation of the new facility, and a riverfront pedestrian and cyclist link between South Bank and Kangaroo Point, are to be funded by the private sector.
Mt Cotton Driver Training Centre	RACQ will purchase the facility from the State (with the purchase price benchmarked against an independent valuation). In addition, the RACQ will invest \$15 million to upgrade the facility.
Prince Charles Hospital Car Park	Construction and operation will be funded by user charges on parking (for staff, patients and visitors) at Prince Charles Hospital. In addition, the proponent will finance the construction of the office accommodation. The government will take into consideration the level of user charges when assessing the value proposition of the proponent's detailed proposal.

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4. Capacity and capability of the proponent

A proponent must demonstrate that it has the financial and technical capacity, capability and experience to deliver the outcome successfully.

Practical application

In evaluating this criterion, assessment focuses on your or your consortia's:

- financial capacity to deliver the project, including the financial capacity of the your contractors and equity and debt providers to meet likely project financial obligations
- demonstrated capability, capacity, competency, and experience in constructing managing, maintaining and/or operating similar infrastructure, or delivering similar services
- robustness and reasonableness of financial assumptions during both construction and operations phases.

You or your consortia must have the ability to successfully complete the project, thereby reducing the risk to government of incomplete or stranded infrastructure, or inadequate service delivery.

At *Stage 1: Initial Proposal* you are not required to have confirmed financing/funding in place. However, for a proposal to progress you must demonstrate a realistic strategy to obtain this.

5. Risk and cost allocation

The proposed allocation of costs and risks between your entity/you and the government must be acceptable to the government.

→ *This criterion is tested in Stage 2: Detailed Proposal.*

Practical application

The government will have regard to the balance of risk and cost proposed between government and you, as the proponent, in determining whether a MLP presents an acceptable proposition to the State.

A proposal which seeks to attribute project risk, or cost, to government will generally be required to demonstrate significant benefits to the State, in proportion to the level of risk and cost taken on.

Proposals which present a low cost/low risk proposition to government will have a greater likelihood of successfully satisfying this criterion.

Proposal	Risk and cost allocation
Logan Motorway Enhancement Project	Transurban is taking the majority of construction and operation cost and risk of the project, including toll revenue risk.
Brisbane International Cruise Terminal	The Port of Brisbane is taking the full cost and risk of the construction and operation of the project, including revenue risk, reflecting market practice for comparable projects and results in the most cost efficient allocation of risk.
Queensland Aquarium and Maritime Museum	The proponent consortia is taking the full cost and risk of the construction and operation of the project, including revenue risk.
Mt Cotton Driver Training Centre	RACQ will accept substantially all of the costs and risks associated with the redevelopment and operation of the Centre.
Prince Charles Hospital Car Park	IPG is taking the full cost and risk of the construction and operation of the car park, including car parking revenue risk. In addition, IPG is taking full cost and risk of the construction of the office accommodation.

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6. Feasibility of the proposal

The proposal must be technically, commercially and practically feasible.

→ *This criterion is tested in Stage 2: Detailed Proposal.*

Practical application

Assessment of a detailed proposal will evaluate the practical and technical feasibility, and the commercial viability, of what is being proposed to government.

The demonstration and satisfaction of this criterion will form a significant part of your work with government through *Stage 2: Detailed Proposal*.

In addition to the general feasibility of what is being proposed, a successful detailed proposal will demonstrate that a project can be expected to be commercially viable, and therefore of lower risk to government. It will address the financing and funding of the project, and include treatment of proposed contractual arrangements, project risk assessments, forecast capital and operating costs, and expected project revenues.

A detailed proposal would also be expected to outline a proposed approach to obtaining relevant approvals, and would include strategies which are deliverable and robust for satisfying expected requirements such as planning and environmental regulations, maritime safety, native title and Aboriginal cultural heritage, and other statutory requirements, including construction and operation approvals.

The requirements of government in assessing a proposal's feasibility (technical, commercial and practical) will to some extent be determined by the specifics and scale of an individual proposal. While these requirements will often be substantial, this is something on which government will work collaboratively with you as a *Stage 2 Detailed Proposal* is developed.

7. Additional considerations

In addition to these assessment criteria, in assessing your proposal the government will generally need to be satisfied that:

- no other proposal addressing the same need, or proposing a similar outcome, is under active consideration by government
- the proposal is a genuine commercial proposition requiring the support of government.

If two proponents are offering to address the same need, albeit perhaps through different approaches, it is an indication that there is a competitive market. However, the existence of two or more competing proposals does not necessarily mean that no proposals can proceed, only that there must be a robust justification for direct negotiation. For example, one proposal may offer substantial benefits to the government that are not matched by the other proposal and are unlikely to be matched if the opportunity was offered to the market.

A proposal must also be a genuine commercial proposition offering benefits to the government in exchange for the government's contribution. For example, a request for grant funding would not usually meet this criteria.

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