

MLP Supplementary Guidance: Developing your concept in a competitive process

The government recognises the value of innovative ideas and strongly encourages proponents to bring forward proposals for consideration. The MLP Guidelines set out the process for how MLPs will be considered by government. However, if a proposal is a good idea but does not meet the MLP criteria, it may be progressed in another way. For example:

- inviting a proponent to meet with government to discuss or consider other opportunities
- considering the proposal under alternative mechanisms, such as government grant funding programs
- further considering or developing the proposal as part of the ongoing operations of relevant government agencies
- proceeding with the proposal via a competitive procurement process.

A competitive procurement process can take a range of forms. The government will consider alternative and/or innovative procurement processes which allow a good idea to be developed and delivered faster, including:

Development Manager

The MLP proponent develops the project and conducts the bidding process on behalf of the government. The proponent cannot bid for the project but receives a development fee.

Open book

The government agrees a two stage open book process with the MLP proponent who receives a defined rate of return to develop the bid criteria and material for the tender, followed by a second stage where the proponent is then allowed to bid for the project.

Inverted Bid Model

Under the 'inverted bid model' the traditional bidding process is reversed by *fixing* the terms of project financing through a funding competition prior to the construction, operation and maintenance (O&M) tender and raising of any additional debt. In other words, the government tenders initially for the long-term owner-operator followed by separate bids for construction, operation and maintenance and residual debt.

Alliance Contracting

In Alliance Contracting (AC) the government collaborates with one or more other parties (e.g. the designer and constructor) to share the risks and responsibilities in delivering the construction phase of a project.

All project delivery risks are shared by the alliance participants. The AC model and supporting structures promote a positive culture based on no fault/no blame and unanimous decision making requiring all participants to find "best for project" solutions.

Under an AC model, the non-government parties are typically guaranteed reimbursement of their direct project costs and payment of corporate project overheads in an open-book arrangement. Targets for cost, schedule and other key parameters are developed jointly during the pre-construction phase. If actual delivery is better than the agreed targets, all parties share the reward known as "gain share". Conversely, if delivery does not meet agreed targets, the pre-agreed "pain share" formula applies.

Early contractor involvement

The government engages the contractor during the early development stages of the project so that they can participate in the design evolution (including any innovative private sector techniques) and develop a detailed project plan. This promotes and assists in building a better understanding of the project risks and how to manage them.