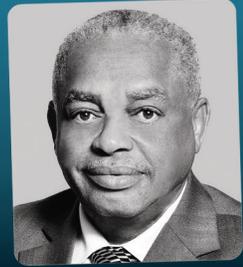




POLICY ANALYSIS

PRIVATE-PUBLIC PARTNERSHIPS AS A STRATEGY: THE UWI MONA EXAMPLE



Private-Public Partnerships (PPPs) are a vital aspect of the strategic development of the Mona Campus of the University of the West Indies. It engages the private sector in funding tertiary education which is a key element in human and national development. It's a win-win situation.

Archibald McDonald

The role of Private-Public Partnerships (PPP) on the Mona Campus can be summarized under three broad headings:

- Fund infrastructural development
- Generate revenue
- Ultimately bring down the cost of tertiary education

We begin from the realisation that there is no 'one-size-fits-all' model; rather, the model will depend on the nature of the project and its objectives. At the present time, we have two models operating while two others are being developed.

There are six stages of private-public partnership development: First, we identify the partner best suited for the project; next, we agree on the model to be used; third we craft the legal instrument or Special Purpose Vehicle (SPV); the fourth stage is to seek approval; then we implement the project; and finally, manage the operation. There are two existing projects up and running, namely, student housing and a water project. A third, a cogeneration plant, is at a very advanced stage of development. Four other projects-- staff housing, a Campus Centre, a hotel, and redevelopment of the University Hospital of the West Indies (UHWI)—are being considered.

STUDENT HOUSING

This project (138 Student Living) was to be our first PPP and as such it was a learning process for the Campus. We engaged Myers Fletcher & Gordon, Attorneys-at-Law and KPMG Accounting and Consultancy Firm for legal and financial guidance, respectively, and to develop the agreement. This agreement took fifteen (15) months to develop. The development is structured as follows: Concession One, 1,584 rooms at an estimated cost of J\$4-billion; Concession Two, 722 rooms (Gerald Lalor flat renovation and reconstruction of Irvine Hall) at an estimated cost of J\$1.6-billion.

The financial benefits from the student housing project to the Mona Campus can be summarised as follows:

- The surplus from existing halls (9) combined is J\$83-million

- When fully implemented, the potential revenue from the housing project will exceed J\$200-million.
- Based on the financial model, the investors are expected to realise their Return on Investment (ROI) after 25 years.
- At that time, the buildings will be turned over to the Campus for J\$1.00
- The maintenance of the facility is the sole responsibility of the PPP Partner
- The UWI is expected to share in any potential revenue generated from commercial activities carried on by the Partner in any hall under the concession agreement.

THE WATER PROJECT

This project was our second and it took less than six (6) months to develop the concession agreement (compared to 15 months for the first). This was a much simpler arrangement where the Partner would at their expense explore, identify, drill, operationalise and maintain the Water Facility on behalf of the Mona Campus. Upon the completion and implementation of the project, The Campus was able to switch from the National Water Commission (NWC) as its primary provider of potable water. This we did in December 2016.

Prior to this project, Mona Campus paid approximately J\$40-million per month to the NWC. Under the project, the bill was reduced to J\$16-million per month.

The Well currently provides over 700-thousand gallons of water daily. This exceeds the campus's daily need of some 450-thousand gallons. Prior to this project, Mona Campus paid approximately J\$40-million per month to the NWC. Under the project, the bill was reduced to J\$16-million per month. Saving from this project is about J\$25-million per month, or approximately J\$ 300-million annualised.

There are no risks associated with acquisition or installation as these are done at the sole expense of the Partner. Further, operation and maintenance of equipment and/ facility remain the sole responsibility of the Partner.

The biggest risk to the projects is poor management of the relationships. Implementation is not the measure of success of the PPP. Success depends on managing the relationship in a way that ensures compliance on all sides. Further, proper records of obligations and responsibilities must be maintained at all times; obligations must be enforced and there must be a willingness of the Partners to be flexible and consider the value of the project above personalities.

PROJECTS UNDER CONSIDERATION

Meanwhile, the Campus is in discussions with potential partners regarding several projects under consideration. The one at the most advanced stage of development is a cogeneration plant project, for the generation of electricity for the campus under a \$40-billion deal. ►►

Under this project, the PPP Partner will install the engines fully at their own cost. The PPP Partner will manage and operate the plant for three (3) years, provide training for UWI personnel and transfer the operation and maintenance in 4th year to UWI School of Engineering. The PPP Partner will recover financing over the life of the agreement from the savings gained in the reduction in cost and energy usage. The projection is that the savings will increase further in 4th year when the operations and maintenance are handed over to School of Engineering.

We expect significant financial benefits from the cogeneration plant. The Campus currently pays to JPS between J\$740-million and J\$960-million per annum, depending on the price of oil. This is not sustainable. It is estimated that the potential savings to the Campus when the engines are installed, will be between J\$250-million and J\$300-million per annum.

By the time Operation & Maintenance are transferred to Mona Tech Engineering at the 4th year, the projection is that cost per kWh will be reduced to 11.85 US cents, yielding annual savings of approximately J\$307.35-million. Total savings from Year 4 through to Year 15 (end of concession) is J\$3.69-billion. After the concession there will be further benefits: There will be no CAPEX payment; cost per kWh further reduces to 7.36 US cents; annual savings to Campus shall be J\$426.96-million; and with engine lifetime of 30 years (minimum) total savings after Concession is J\$6.40-billion.

Other projects being contemplated include:

- Converting the University Hospital of the West Indies from a 500-bed to 1,000-bed facility;
- Constructing a building dubbed The Campus Centre, which will be able to seat 8,000 to 10,000 persons;
- Developing the College Commons housing for staff members;
- Transforming the Mona Visitors' Lodge into a three- to four-star hotel.

PPPs are a vital aspect of the strategic development of our university as a key element in human and national development. It's a win-win situation. As I remarked at the ground breaking for the student housing project September 14, 2014, "The private sector will understand that when we ask for their involvement in funding tertiary education we are not asking them for handouts. We are seeking business

partners which will participate with us in the provision of first world standard of education... while they will achieve what the private sector and business people are required to do, that is, to make a profit on their investment." ■

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