

SUBMISSION:

***Inquiry into the
decision to award
Serco Australia the
contract for the
provision of non-
clinical services at
Fiona Stanley
Hospital***





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Infrastructure Partnerships Australia is a national forum, comprising public and private sector CEO Members, advocating the public policy interests of Australia's infrastructure industry.

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ABOUT IPA

Infrastructure Partnerships Australia (IPA) is the nation's peak infrastructure body, representing Australia's most senior business and public sector leaders and we welcome the opportunity to contribute to this inquiry.

IPA leads informed public debate about the best solutions to Australia's social and economic infrastructure challenges. Our policy, research and advocacy bring a strong focus to the reforms needed to drive national productivity and sustainable population growth.

Governments should have the maximum choice of options to procure key infrastructure. We believe that the use of public or private finance should be assessed on a case-by-case basis. However, we also recognise the enhanced innovation and cost discipline that private sector project management and finance can deliver, especially with large and complex projects, like public health.

Our membership comprises the most senior industry leaders across the spectrum of the infrastructure sector, including financiers, constructors, operators and advisors. Importantly, a significant portion of our membership is comprised of government agencies.

IPA draws together the public and private sectors in a genuine partnership to debate the policies, priority projects and reforms that will put Australia in a strong position for the challenges ahead.

1. INTRODUCTION

As a non-profit public and private sector organisation, IPA has had no direct involvement in the tender process guiding the selection of Serco Australia and as such, is unable to respond to a number of issues in the Terms of Reference.

IPA does however have extensive knowledge of private sector involvement in the delivery of public services - including health services - and on this basis is well placed to respond to *“the Committee’s examination of the objectives, including service quality and value for money, and the extent to which the contract as signed is likely to meet those objectives.”*¹

In the context of demographic and fiscal realities this submission will highlight the benefits of the Western Australian Government’s adopted approach to non-clinical services at Fiona Stanley Hospital. Successful examples of private sector delivery of health and other public services will also be used to show the service quality and value for money gains, among other benefits, that are realised through contestability for the right to deliver such services.

2. EXECUTIVE SUMMARY

Faced with growing demographic challenges and associated fiscal pressures, Australia’s governments are increasingly looking at ways to apply contestability and competition to areas of traditional government monopoly service and capital asset provision.

Western Australia deserves commendation as a market leader in this regard, with a health system that utilises a broad - and well balanced - mix of health delivery models. These range from fully publicly delivered health services, outsourced delivery of clinical and non-clinical services (Peel Health Campus), right through to a Public Private Investment Partnership (PPIP) model (Joondalup Health Campus and Midland Hospital, currently at short list stage).

The outsourcing of non-clinical services at Fiona Stanley Hospital - a public hospital - continues the Western Australian Government’s important reform agenda - as outlined in *A Healthy Future for Western Australians* (the “Reid Report”) - further assisting to instil commercial principles, efficiency and cost certainty in the delivery of world class public health services. While Fiona Stanley Hospital is not a Public Private Partnership (PPP), the approach taken to non-clinical services at the facility offers many of the ‘whole of life’ benefits evident in a number of recent PPP and Private Finance Initiative (PFI) projects within Australia, Europe and the United Kingdom.²

In particular, the outsourcing of non-clinical services recognises that a private sector contractor is much better placed to manage growth in costs, maximise efficient supply

¹ Parliament of Western Australia, *Inquiry into the decision to award Serco Australia the contract for the provision of non-clinical services at Fiona Stanley Hospital*, Terms of Reference no. 5.

² Western Australian Department of Health. *Summary of facilities management services contract*. July 2011.

chains and better price and manage business risks. The bundling of the 30 separate service components will also allow the contractor to design the services in an integrated way so as to achieve maximum efficiency and reduce the opportunities for interface and counter party risks which might exist if the public sector were to let individual contracts for each of the 30 service streams.

The signing of the contract sufficiently ahead of the hospital's opening in 2014 will also drive efficiencies by enabling the contractor to work closely with the hospital project team over the next three years to establish and test its equipment, services, technology and systems, as well as undertake recruitment and training of staff.³

The provision in the Facilities Management and Support Services contract for two five-year extension options, as well as strict performance requirements, ensures a robust framework of incentives and safeguards that will further drive the achievement of performance outcomes, as well as providing for a high degree of accountability. Importantly, this approach does not mean the Government is contracting out responsibility, but rather, that it is 'contracting in' service quality, efficiency and value for money.

Ultimately, the innovative approach to the delivery of non-clinical services will also assist to ensure cost certainty for State taxpayers at a time when the only real certainty in relation to health care costs is that they will keep going up. According to the Western Australian Government, the outsourcing of non-clinical services at Fiona Stanley Hospital will save the State's taxpayers \$500 million over the life of the contract.⁴

The importance of this cost saving and ongoing cost certainty should not be understated. The cost of providing public health services in Western Australia is set to increase 40 per cent between 2009-10 and 2014-15. Over the same period, State Government revenue is projected to increase just 28 per cent.⁵ In 2011-12 alone, the State's public health services will require an extra \$470 million, representing an annual increase of 8.2 per cent.⁶

IPA urges the Committee to give strong consideration to these benefits accruing from the innovative approach to the delivery of non-clinical services at Fiona Stanley Hospital, which will undoubtedly set a new benchmark for health infrastructure projects around the country.

The Committee is also encouraged to set aside ideological arguments against private delivery of public services, and to focus solely on how the State can deliver the best quality services, at the best value for money to taxpayers.

³ Western Australian Department of Health. *Summary of facilities management services contract*. July 2011.

⁴[http://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/6460efef52345b63482578f1001fb5d7/\\$FILE/A38%20S1%2020110816%20p5837c-5840a.pdf](http://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/6460efef52345b63482578f1001fb5d7/$FILE/A38%20S1%2020110816%20p5837c-5840a.pdf)

⁵ WA Budget 2011-12 Paper 1

⁶ Ibid.

3. THE CASE FOR PRIVATE SECTOR INVOLVEMENT IN HEALTH

3.1 POPULATION GROWTH

While all Australian jurisdictions experienced positive population growth over the year to March 2011, the rate of growth was fastest in Western Australia at 2.2 per cent.⁷

On a business as usual scenario, it is likely that population growth in the short to medium term will continue to outpace the abilities of government to raise revenue to pay for increased demand for public services. Near-term projections indicate Western Australia will sustain year-on-year population growth of around 2.2 per cent each year to 2014-15.⁸

Longer-term projections are even more significant, with the Australian Bureau of Statistics (ABS) forecasting that Western Australia's population will reach 3.2 million in 2051. Most of this growth will be concentrated in urban centres, with 2.5 million people expected to live in Perth by 2051.⁹

3.2 AN AGEING POPULATION

It is not only population growth, but demographic changes that will underpin growing demand for public services, including health.

From 2009-10 to 2049-50, Australia's real health spending on those aged over 65 years is projected to increase seven-fold. Over the same period, real health spending on those over 85 years is expected to increase around twelve-fold.¹⁰ This was recognised by the 2010 Intergenerational Report, which cited '*underlying spending pressures in health, aged care and age-related pensions associated with an ageing population.*'¹¹

In-line with the Australia-wide trend, Western Australia's population is also ageing. The Western Australian Department of Training and Workforce Development calculated that the proportion of the population aged 70 and over will more than double from 8.2 per cent of the population currently to 18.6 per cent of the population in 2056.¹² This trend is already driving a corollary increase in demand for access to health services.¹³

⁷ ABS, Australian Demographic Statistics, Mar 2011, 3101.0

⁸ WA Budget 2011-12 Paper 3

⁹ ABS, Population Projections, Australia, 2006 to 2101, Cat No. 3222 (2009).

¹⁰ Commonwealth Government, Intergenerational Report 2010: *Australia to 2050: future challenges.*

¹¹ Ibid.

¹² <http://www.dtwd.wa.gov.au/dtwd/detcms/navigation/western-australia/population/>

¹³ Bruce K Armstrong, James A Gillespie, Stephen R Leeder, George L Rubin and Lesley M Russell, Challenges in health and health care for Australia, The Medical Journal of Australia, Volume 187 Number 9, 5 November 2007

3.3 INCREASING HEALTH EXPENDITURE

Health expenditure is increasing at rates well above economic growth, and government revenue growth. Over the decade 1998-99 to 2008-09, Australia's total health expenditure increased in nominal terms from \$48.4 billion to \$112.8 billion. After adjustment for inflation, this represents an average growth rate of 5.4 per cent per year, compared with average growth in GDP of 3.2 per cent per year.¹⁴

These escalating costs are also clearly captured on a per capita basis, with real growth in per person health expenditure averaging 3.9 per cent per year between 1998-99 and 2008-09.¹⁵

The cost of maintaining the health system – as shown by the ratio of health expenditure to GDP – also increased over the decade 1998-99 to 2008-09. Spending on health accounted for 7.8 per cent of GDP in 1998-99, and 9.0 per cent of GDP in 2008-09.¹⁶ Like the Australia-wide trend, average recurrent health expenditure per person in Western Australia is also increasing. In 1998-99, Western Australia was spending, on average \$2,294 per person. By 2008-09, health spending per person had more than doubled to an average of \$4,969.¹⁷

Public hospital services account for the bulk of health expenditure. In 2008-09, Australia's governments collectively spent \$107.1 billion on public hospital clinical and support services, accounting for around 95 per cent of Australia's total health spend that year.¹⁸

Spending on health services in Western Australia will increase to over \$6 billion this financial year, an increase of \$470 million or 8.2 per cent on 2010-11. Health spending now equates to a quarter of total State Government expenditure (see Figure 1 below).

¹⁴ AIHW Health Expenditure 2008-09 (the latest in a series of reports – released Dec 2010)

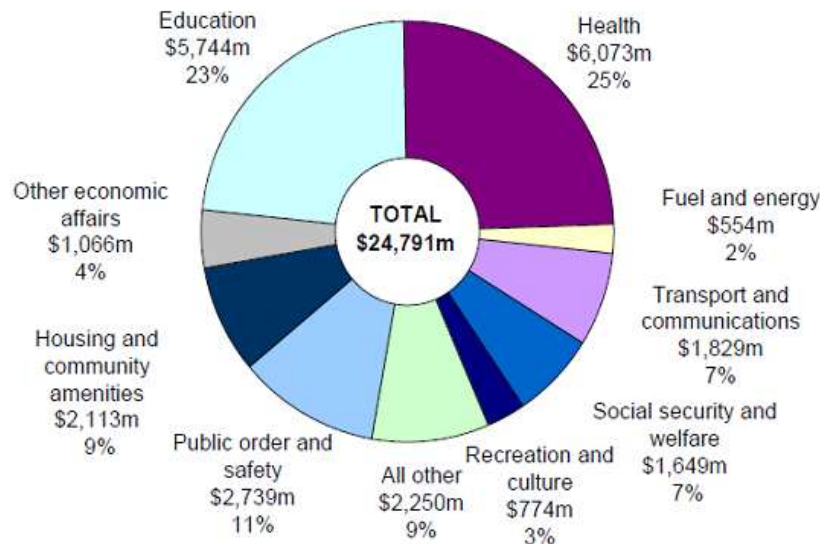
¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Ibid.

Figure 1 - 2011-12 WA General Government Expenses¹⁹



Public hospital expenditure will make up the lion’s share of this amount, increasing \$355 million - or 9.5 per cent - from the previous year (see Figure 2 below). Public hospital expenditure now accounts for around two-thirds of the State’s total health expenditure.²⁰

The sheer scale of these cost escalations in the health system point to a clear case for ongoing reform to increase the efficiency of public expenditure. Without reform, health spending in Western Australia will continue to outstrip revenue growth (see Figure 3 below).

Figure 2 - Comparison of WA Government health expenditure and revenue growth²¹ (\$ m)

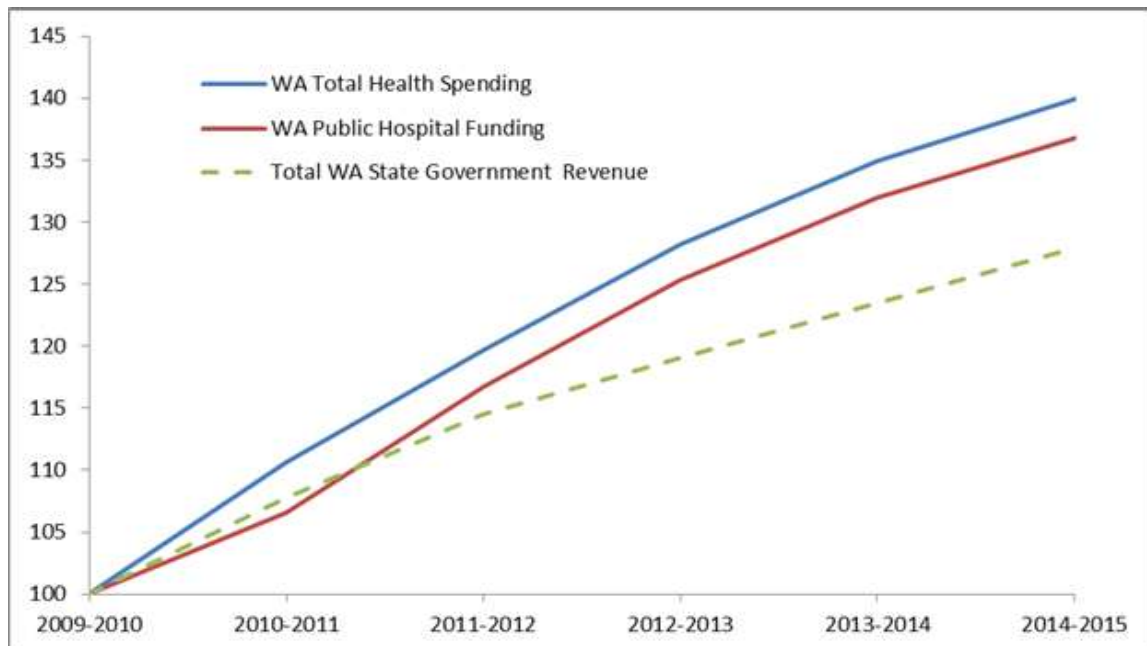
	09-10	10-11	11-12	12-13	13-14	14-15	5 Year
WA health spending	5,198	5,748	6,217	6,660	7,015	7,278	n/a
% Increase	n/a	10.6%	8.2%	7.1%	5.3%	3.7%	40%
Public hospital funding	3,497	3,726	4,081	4,385	4,617	4,781	n/a
% Increase	n/a	6.6%	9.5%	7.4%	5.3%	3.6%	37%
Total State Revenue	22,039	23,764	25,233	26,232	27,209	28,202	n/a
% Increase	n/a	7.8%	6.2%	4.0%	3.7%	3.6%	28%

¹⁹ WA Budget 2011-12 Factsheet, *Where the money comes from and where it goes*. Spending categories are consistent with Australian Bureau of Statistics Government Purpose Classifications.

²⁰ WA Budget 2011-12, Budget Paper 2 - Volume 1

²¹ IPA analysis based on WA Budget 2011-12 Papers 1-3

Figure 3 –Health expenditure and State Government revenue growth (N=100)²²



Faced with these fiscal realities, the challenge for the Western Australian Government is not only about how much money to spend to meet increasing demand for infrastructure and services, but how to maximise the productive value of funding.

3.4 ADDITIONAL BUDGET PRESSURES

In Western Australia, challenges posed by a growing and ageing population are compounded by additional demographic and fiscal pressures stemming from the resources boom.

As well as driving above-trend population growth, the State’s resources sector is placing considerable upward pressure on wages. Wages growth averaged 9.1 per cent over the four years from 2007-08 to 2010-11. The public sector is not immune to these impacts, and with wages already accounting for 40 per cent of all State Government expenses, there is a strong case to transfer wage risks away from taxpayers and onto the private sector.

²² IPA analysis based on WA Budget 2011-12 Papers 1-3

4. A ROLE FOR THE PRIVATE SECTOR IN PUBLIC SERVICES

Continuing increases in the cost of the public health services provide a compelling case for reform targeting increased productivity and efficiency of public investment. The Fiona Stanley Hospital is an excellent demonstration of this approach.

IPA contends that Western Australia must continue to innovate toward better models to deliver health services which contain costs and bolster service quality. Reforms that drive contestability and private sector innovation into public services have been objectively shown to increase the efficiency of government expenditure.

This section explores the advantages that stand to be gained from the innovative delivery of non-clinical services at Fiona Stanley Hospital, as well as highlighting successful examples of private delivery of public health and other services elsewhere in Australia.

4.1 KEY ADVANTAGES OF PRIVATE SECTOR INVOLVEMENT IN HEALTH

IPA urges the Committee to set aside ideological arguments against private delivery of public services, and to focus solely on how the State can deliver the best quality services, at the best value for money to taxpayers. The particular benefits accruing due to the private sector delivery of services have been outlined in further detail below:

4.1.1 Cost and value for money

Private sector provision of services in the public health system has demonstrated better cost and quality performance.

Public sector value from the contracting out of health services accrues through the application of contestable, competitive and innovative private delivery models. For example, the profit incentive provides a strong incentive for companies to better manage items like growth in costs, efficient supply chains and better pricing and management of business risks.

According to the UK Office of National Statistics, UK private sector productivity in the services sector increased 20 per cent between 1997 and 2007. Over the same period, public sector productivity fell by 3.4 per cent. Had the public sector matched private sector productivity improvements over this period, it would equate to government spending an extra £60 billion each year. Over the same period, the unit cost in output delivered by the UK public service grew by 45.5 per cent - an annual average increase of 3.8 per cent or one third faster than the wider economy, reflecting increased costs and a slower rise in output.

In respect to the provision of non-clinical services at Fiona Stanley Hospital, the bundling of the separate service components will allow the contractor to design the services in an integrated way so as to achieve maximum efficiency and reduce the opportunities for interface and counter party risks which might exist if the public sector were to let individual

contracts for each of the 30 service streams. The Western Australian Government has estimated that the outsourcing of non-clinical services at Fiona Stanley Hospital will save State taxpayers \$500 million over the life of the contract.²³

4.1.2 Quality of service, accountability & transparency

Contracting out public services does not involve governments contracting out responsibility, but instead represents a change in service delivery models.

In particular, contracting-out of services allows for the private contractor to be held accountable for the performance of service levels in a transparent way that is not possible under a traditional public service delivery model. Contracts can be structured to trigger financial penalties for non-compliance or to provide incentives for good performance, such as automatic renewal of contracts for meeting or exceeding key performance indicators.

The contract for the provision of non-clinical services at Fiona Stanley Hospital involves two five-year extension options, as well as strict performance indicators. If the contractor is not meeting particular performance indicators, the relevant parts of the contract may be cancelled. This will ensure a high degree of accountability as well as a robust framework of incentives and safeguards. Importantly, IPA believes this will be achieved in a way that does not lock-out contractor innovation and flexibility in meeting key performance indicators.

4.1.3 Contestability

Creating contestable markets for public services encourages all participants, be they public or private, to innovate, improve efficiency, reduce costs and ultimately, improve service quality.

This does not mean that all health-related services in the State must be privately delivered to realise the positive effects. Not all health services in Western Australia may be suited to private delivery, either because they are not of the scale to justify commercial involvement or because the public sector may be the best party to manage the risk and deliver the service in question. Contestability will however deliver system-wide benefits, if the market sets a benchmark against which the public and private sectors operate.

The rigorous procurement and evaluation process and detailed negotiations undertaken prior to the awarding of the Facilities Management and Support Services contract, allowed the Government to agree a competitively priced hard - and soft - facilities management solution that will, improve efficiency and the quality of patient care, and support the optimum use of resources. IPA is confident this will set new benchmarks for quality of service and value for money.

²³[http://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/6460efef52345b63482578f1001fb5d7/\\$FILE/A38%20S1%2020110816%20p5837c-5840a.pdf](http://www.parliament.wa.gov.au/Hansard%5Chansard.nsf/0/6460efef52345b63482578f1001fb5d7/$FILE/A38%20S1%2020110816%20p5837c-5840a.pdf)

4.1.4 Innovation

Experience has shown that private sector involvement brings considerable innovation into the task of public service delivery. In particular, by contracting for outcomes rather than processes there is a much stronger driver for the private sector to seek out innovations and systems that drive up the efficiency and quality of service delivery.

In respect to the provision of non-clinical services at Fiona Stanley Hospital, innovations expected to be introduced by the contractor include:

- a patient entertainment system that will allow bedside access to clinical records, automated menu ordering and TV, movie, internet, Skype and telephone access;
- automatically guided vehicles;
- refreshment and replacement of assets and technology over the life of the asset;
- ongoing site development opportunities;
- real-time location equipment; and
- scheduling of all hospital appointments.²⁴

IPA believes that the contractor's innovative use of technology and sophisticated systems - which are not currently in use in the public health system in Western Australia - will deliver significant benefits to patients at Fiona Stanley Hospital, and important learnings for other areas of the State's public health sector.

4.2 BUILDING ON WESTERN AUSTRALIA'S PROGRESSIVE REFORM AGENDA

4.2.1 Health sector

The approach taken to the delivery of non-clinical services at Fiona Stanley Hospital represents a positive step forward in introducing innovation, efficiency and contestability into the State's health system.

The innovative approach taken to Fiona Stanley Hospital also fits well within a State health system that is already using a spectrum health delivery models, from fully publicly delivered health services, right through to the private delivery of clinical and non-clinical services at Peel Health Campus, and the public private investment partnership model seen in the Joondalup Health Campus and in a contemporary context, the Midland Hospital.

These innovative approaches, and the benefits they have delivered the State taxpayers and health consumers, have been outlined in greater detail below:

²⁴ <http://www.mediastatements.wa.gov.au/Pages/Results.aspx?ItemID=142549>

Peel Health Campus

Opened in September 1997, the Peel Health Campus provides both public and private hospital services in Mandurah, south of Perth. Under a 20-year contract, the private sector contractor, Health Solutions, manages the public hospital on behalf of the State Government and leases the hospital buildings from the Government's Contract and Management Services. The Peel Health Campus is the major health care provider in the Peel region; the emergency department providing quality care to over 29,000 people per year.

Joondalup Health Campus

The Joondalup Health Campus - built in 1996 - provides one of the most successful examples of a 'full' health PPP in Western Australia, with the private sector responsible for the delivery of the full suite of hospital services, including clinical services.

For the capital costs associated with the public component of these services, the government pays a fixed availability charge over the contract term of 20 years. The private partner is also responsible for providing clinical services and assumes the risk transfer associated with those services.²⁵

The experience at Joondalup shows the success that can be gleaned from involving the private sector in health services. For over a decade the private operator has fulfilled the terms of the contract, and in 2009 the Government approved a \$230 million expansion of the Health Campus to accommodate increased demand.²⁶ The \$360 million Midland Health Campus, currently under procurement, will operate along similar lines.

Midland Health Campus

The \$360 million Midland Health Campus (MHC), which is being jointly funded by the Commonwealth and State Government, is being procured by WA Health as a PPP where a private healthcare operator will build and provide all services. Two healthcare providers have recently been shortlisted.

The PPP will deliver considerable benefits to Western Australians by enabling the State Government to agree a competitively priced package to: build the hospital to a high standard on time and on budget; adequately maintain the hospital; and deliver high quality, expanded health services to the community.

The operator of the MHC will be accountable to the State Government and will be required to deliver health services to a high standard.

²⁵ The Global Health Group, University of California, *Public-Private Partnerships for Health - An Atlas of Innovation*, 2010.

²⁶ *Ibid.*

4.2.2 Other Social Infrastructure - Acacia Prison

The benefits of private sector involvement in other forms of social infrastructure are also well-demonstrated in Western Australia. The scope for cost savings and high performance outcomes are particularly well-demonstrated by Acacia Prison, which has been operated by the private sector since it opened in 2001.

An independent study of the prison undertaken in November last year by the Western Australian Inspector of Custodial Services, Neil Morgan found that Acacia's performance had improved since its privatisation, stating that *"it is at least equal to the best public sector prisons in the State, and in many respects it is superior"*.²⁷

The Report goes on to say that the performance was even more impressive because of the increase in the prison's capacity - from 785 prisoners to 1,000 prisoners since 2007. Mr Morgan stated: *"Increases of this magnitude bring significant pressures to both staff and prisoners but this report describes many positive aspects of prison operations and areas of improvement over the past three years"*.

The Report also stated that *"In addition to delivering high quality services, Acacia Prison delivers a substantial financial saving to the State. The daily cost of managing a prisoner at the prison is approximately 30 per cent less than at a public prison. Compared with \$270 a day in government jails, each Acacia prisoner costs \$182. The report found that that Acacia enjoys some benefits in terms of costs because of its size and modern design but that, even allowing for these factors, it provides real value for money."*

Transparency and strong external accountability were also identified in the report, which stated that with all the service and maintenance contracts publicly available online Acacia Prison was *"the most closely monitored and accountable prison in Australia"* with requirement of the State's public sector prisons *"less detailed, less transparent, less clear and less robustly monitored than those of Acacia"*.²⁸

It also found the private sector operator had introduced many innovations following recommendations in the last report, not simply to earn an innovation bonus from the department under its contract, but to run a more efficient facility. *"The key motivator is not simply the financial reward of the innovation bonus, but rather a drive for efficiency and improved outcomes,"* the report said. The inspector said many of these innovations - particularly in areas like case management - should be adopted by publicly run prisons.

IPA understands that the State Government is currently in negotiations for a new contract to expand the prison to 1,400 beds over the next couple of years.

²⁷ Office of the Inspector of Custodial Services (2011), *Report of an Announced Inspection of Acacia Prison*, p iv.

²⁸ Ibid.

4.3 PRIVATE SECTOR INVOLVEMENT IN HEALTH IN OTHER STATES

In the context of demographic change, population growth and an emerging gap between public sector revenues and expenses, policymakers in all states are looking at ways to apply contestability and competition to areas of traditional government monopoly service and capital asset provision. Some examples of private sector involvement in the provision of health services and associated infrastructure have been outlined overleaf in Figure 4.

Figure 4 - Private involvement in health services & associated infrastructure (by State)

NSW	<p>Royal North Shore Hospital</p> <p>The Royal North Shore Hospital PPP will see the construction of a new main hospital building, a community health building and a multistory car park. It will also provide non-clinical support services over a 28-year period. The main hospital building is due for completion in late-2012.</p>
VIC	<p>Royal Children’s Hospital</p> <p>The new Royal Children’s Hospital is expected to open by the end of 2011, with hospital maintenance conducted under a PPP over a 25-year period. The Victorian Auditor-General said the government would make \$3.742 billion in service payments during this time, an estimated saving of 6.9 per cent or \$70 million over the 25-year contract period.²⁹</p> <p>New Bendigo Hospital</p> <p>The \$630 million project will see a new 355-bed, 10-operating theatre hospital, an integrated regional cancer centre and 80-bed psychiatric facility designed, built, financed and maintained by the private sector, with the hospital to be completed by 2016.</p> <p>Comprehensive Cancer Centre</p> <p>The Victorian Government has entered into exclusive negotiations for the \$1 billion-plus Victorian Comprehensive Cancer Centre, which will bring eight existing cancer research, treatment and education facilities under the one roof. The winning consortium will design, build, finance and maintain the centre.</p> <p>Royal Women’s Hospital</p> <p>A private consortium delivered Victoria’s new Royal Women’s Hospital under a design, build, finance and maintain model, when it was relocated to the new Parkville medical precinct in 2008.</p>
SA	<p>SA Health Partnership</p> <p>The SA Health Partnership consortium will design, construct and provide non-clinical services to the new Royal Adelaide Hospital over a 35-year period, with SA Health to retain responsibility for core clinical services. A study by Ernst & Young on behalf of the South Australian Government found that risk-adjusted average annualised operating expenditure would be 21.9 per cent (or \$17.9 million) higher if the hospital was refurbished, as opposed to completely rebuilt as proposed.³⁰</p>
QLD	<p>Sunshine Coast University Hospital (QLD)</p> <p>The Queensland Government is currently considering three shortlisted consortia to build the \$2 billion Sunshine Coast University Hospital, the State’s first health PPP. The winning consortium will design, finance, build and maintain the hospital over a 25-year period, with an expected completion date of 2016.</p>

²⁹ Victorian Auditor-General’s Office (2009), *The New Royal Children’s Hospital – A Public Private Partnership*, p43.

³⁰ Ernst & Young (2011), *Operational Expenditure Comparison – Nominal and Annualised: Refurbished RAH and New RAH*, p13.

5. CONCLUSION

Western Australia has been a trailblazer with respect to the engagement of the private sector in the provision of public health services, utilising a well balanced mix of funding arrangements including the successful Joondalup Health Campus, which is one of the few fully privately run public hospitals in Australia.

The decision to outsource non-clinical support services at the Fiona Stanley Hospital builds on this important reform agenda, assisting to further instil commercial principles, efficiency and cost certainty into the delivery of world class public health services.

IPA urges the Committee to set aside ideological arguments against private delivery of public services, and to focus solely on the benefits accruing from the outsourcing of non-clinical services – namely, delivering the best quality services at the best value for money to taxpayers.

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