## Contents

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Public Private Partnerships</td>
</tr>
<tr>
<td>2</td>
<td>Tirupur Water Supply Project – Case Study</td>
</tr>
</tbody>
</table>
Disclaimer: I promise to raise more questions in your mind than provide answers at the end of this discussion
Assumption: You all DID NOT go through the case study circulated to you
As promised earlier some questions....
How old are PPPs?
Suez Canal

Concession obtained in 1850s to construct the Suez Canal
What is a PPP?

Public Private Partnership

project delivery arrangements where the private sector takes on risks and responsibilities that are traditionally accepted as belonging to the government
Why PPP?

- Means of financing
- Better service
- Capital Savings
- Operating savings
- Expertise
- Need for facilities
When should you prefer PPP over EPC?
Why not PPP?

Huge transaction costs

Private sector monopoly

Shift problematic responsibilities to private sector
Based on the sessions so far
How do you define a successful PPP?
What is the best partnership you came across in your life?
I hope some of you thought of **Marriage!!**
How are marriages arranged?
Projects are no different!!

Project go through various iterations

Be Prepared to abandon
Why is project selection and shaping very important?
Figure 4.1
Risk reduction and commitments
Successful Project shaping and award are only half work done

Successfully awarded projects may not be successful
The case of Tiruppur Water Supply Project

Every one is wise on retrospection

Think from the perspective of decision maker
The Tirupur Water Supply Project
Was there a need for the project?

- Tirupur was home to a booming textile industry
- Textiles are water intensive
- Unpredictable water supply
  - Drought had severely impacted the industry in the early 1990s

- THERE WAS A GENUINE NEED FOR THE PROJECT
Shaping the Project

- Tirupur Exporter’s Association drew the government’s attention to the water situation

- IL&FS – a private infrastructure financing and consulting firm was called in to consult

- Given the high costs, IL&FS suggested PPPs
Structuring the Project

- Government of Tamil Nadu insisted on the following
  - Water would be supplied at subsidized rates to Tirupur Corporation and wayside villages
  - A sewerage treatment plant was to be constructed in Tirupur
  - In return, industry could be charged higher rates for water

- **IN 1996, GoTN, IL&FS AND TEA FORMED THE NEW TIRUPUR AREA DEVELOPMENT COMPANY LIMITED (NTADCL), TO IMPLEMENT THE PROJECT ON A BOOT MODEL**
The Agreement

• **28 YEAR CONCESSION PERIOD**

• **20% IRR**

• **GUARANTEED SUBSIDIZED SUPPLY TO MUNICIPALITY AND NEARBY VILLAGES**

• **GOVERNMENT WOULD PREVENT GROUNDWATER EXTRACTION**
Successful award of the contract
No major issues during construction
Largely completed on schedule
What happened?

• Global recession had affected exports
• TNPCB had shut down several potential customers
• Water efficient technologies introduced
• Good rains had led to smaller players extracting groundwater
• Demand at 30% of estimated

NTADCL WAS IN CONSIDERABLE FINANCIAL DISTRESS
Success at award is only the beginning of the partnership
Dynamics play out through out the life of the project

How many of them are you prepared for?
How are PPPs different from other projects?
‘The **basic physical and organizational structures and facilities** (e.g. buildings, roads, power supplies) needed for the **operation of a society or enterprise**’

– Oxford Dictionary
Society is involved

Water supply to domestic users...
Huge investments are involved

1023 crores in case of Tiruppur
Technological challenges

Can government agencies master all the technological advances?
Sticky Contracts

We cannot just move away from the present contract and find a new partner
Contracts are incomplete on such long projects

What do you do when contract does not say anything about a situation?
Ultimate responsibility with the government and the public agency