

# **The Role of Collaboration, Public Opinion and Altruistic Empathy in Project Finance Decisions for Public Private Partnerships**

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## **DECLARATION**

I certify that the work in this thesis entitled “The Role of Collaboration, Public Opinion and Altruistic Empathy in Project Finance Decisions for Public Private Partnerships” has neither been submitted for a degree nor been submitted as part requirements for a degree to any other university or institutions other than Macquarie Graduate School of Management, Macquarie University.

I also certify that this thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and preparation of the thesis itself have been appropriately acknowledged.

In addition, I certify that all information sources and literature used are indicated in the thesis.

Hui Juat Thia

1 December 2012





## **ABSTRACT**

This thesis by publication investigates project finance decisions by the stakeholders in public private partnerships (PPPs) in the development of large scale infrastructure projects. In particular, it explores and develops three key determinants of PPP success, namely collaboration advantages, public opinion and altruistic empathy.

The objective of this research is to understand how and why PPP projects succeed or fail. The thesis is structured around three related research papers. The first paper is a comparison based empirical study of two large scale PPP projects in Sydney. These two toll road projects were very similar in many ways. Both involved the construction of tunnels. Both commenced and completed within one year of each other. During the post construction operations however, one was well received by the public while the other received negative feedback. Both made financial losses in their operations. The financial loss in the operations of one of the tunnels was too large to be sustainable. This led to bankruptcy of the PPP entity and the project was sold to another consortium below cost within the first year of operations. The findings concluded that if collaboration advantages were applied to the project, the project would have been able to deliver economic benefits to the community and hence, received public acceptance as was the case of the second toll road project. This would have improved the project's success prospects. The paper suggested that the public sector needs to retain greater interest in planning and management of PPP projects. In doing so, these projects can gain greater public acceptance and deliver economic benefits to the community. By attaining this outcome, PPP projects can ensure greater probability of success in continuity and longevity of operations.

The second paper was undertaken two years later but again using the same PPP projects as case study. The PPP project that was initially well received by the public encountered decreasing motorists using the facilities in its subsequent years of operations. This was

despite being considered by the media as an example of a successful PPP when it first began operations. Consecutive years of financial losses, from a small to a significant amount, were not sustainable and the private sector sponsors had to sell their stakes. Using content analysis, the paper investigated the influence of public opinions on the success of both the PPP projects based on published literature from the media, professional journals and reports from quasi government agencies and independent government commissions. The findings in the paper established three main themes in both the projects. Firstly, there were positive public opinions that the projects enhance the quality of life. Secondly, there were more balanced opinions among the public that there were sufficient trade-off in financial costs for social benefits. Thirdly, the majority of the public did not agree that public interest was upheld when developing these projects. The third theme was overwhelming and this contributed to the failures of both projects. The paper confirmed the suggestion made in the first paper that the public sector could do more in planning and management in the partnerships to avert failures in PPPs.

The third paper built on the first two papers. The study further investigated other reasons that the two PPP projects failed. Using deductive analysis, the findings established that the lack of altruistic empathy in these two PPP projects frustrated the development of collaborative negotiation from the start of the project. Consequently, this did not ensure post construction operations longevity of the partnerships. This contrasted against the successful outcome of a third PPP project introduced in the study where altruistic empathy was displayed by all parties.

This thesis extends project finance theory under PPP arrangements to encompass the complex strategic decision making process of project sponsors in PPPs. It provides incremental insights and knowledge to the extant literature of PPPs. It is therefore hoped that this thesis would contribute a greater understanding to both academics conducting research and professionals conducting negotiation in PPPs.

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