



Government of **Western Australia**  
Department of **Treasury**

Public Private Partnerships

# **Queen Elizabeth II Medical Centre Car Parking Project**

Project Summary

January 2012





# Queen Elizabeth II Medical Centre Car Parking Project

Project Number: BMW14583/10

## Project Summary

January 2012





# Table of Contents

<b>Foreword</b> .....	<b>1</b>
<b>1. PROJECT OVERVIEW</b> .....	<b>3</b>
1.1 The Site .....	3
1.2 The Trust .....	3
1.3 North Metropolitan Area Health Service.....	3
1.4 The Project .....	3
1.5 Project Objectives .....	6
1.6 Delivery Model.....	6
1.7 Procurement Process.....	8
1.8 Probity .....	10
1.9 Timetable.....	10
1.10 Value for Money .....	11
1.11 Public Interest Considerations .....	12
<b>2. KEY COMMERCIAL FEATURES</b> .....	<b>15</b>
2.1 Parties to the Project Documentation.....	15
2.2 Project Documentation and Related Agreements .....	17
2.3 Project Scope .....	19
2.4 Key Commercial Principles .....	20
2.5 Commercial Opportunities.....	22
2.6 Investment Recovery.....	22
2.7 Retention Regime.....	22
2.8 Modifications .....	23
2.9 Default, Termination and Step-in Regimes .....	23
2.10 Finance .....	24
2.11 State Rights at Expiry of the Project .....	24



## Foreword

This Project Summary provides an overview of the commercial and contractual arrangements for the delivery of the Queen Elizabeth II Medical Centre Car Parking Project.

This summary is divided into two parts. Part One provides a broad overview of the Project, including the rationale to deliver it under a public-private partnership model as a Build, Own, Operate and Transfer project, as well as a summary of the tendering process, the value for money outcome, the public interest considerations and the timetable for the Project. Part Two focuses in more detail on the key commercial features of the Project, including the main parties and their respective obligations, the broad allocation of risk between the public and private sectors and the treatment of various key project issues.

This summary should not be relied on as a complete description of the rights and obligations of the parties to the project and is not intended for use as a substitute for the contracts.





# 1. PROJECT OVERVIEW

## 1.1 The Site

The Queen Elizabeth II Medical Centre site (**Site**) was established in 1958 and has since expanded to become one of Australia's premier medical precincts. The Site is home to the Sir Charles Gairdner Hospital, a comprehensive health care facility that provides tertiary health services, undertakes major teaching and research activities and accommodates a range of other tenants engaging in health related activities. Clinical services are provided to approximately 2,150 patients per day, with 80% of those being treated at Sir Charles Gairdner Hospital. Currently there are approximately 5,000 staff on Site at peak times and the Site attracts over 19,000 vehicle trips a day, including patients, visitors and servicing movements. The Site is located immediately west of Kings Park and approximately 4km from Perth's city centre. It covers an area of 3.67 km<sup>2</sup> and services approximately 43% of the State's population. As such, the Site forms part of the adult tertiary health care facility for the northern metropolitan area of Perth. The Site itself is home to over 36 organisations, and lies within the boundaries of two local government municipalities.

## 1.2 The Trust

Although the Site is Crown land, the development, control and management of the Site is vested in the Queen Elizabeth II Medical Centre Trust (**Trust**) under Section 13(1) of the *Queen Elizabeth II Medical Centre Act 1966* (WA). The Trust has set aside the whole of the Site and in respect of that area, delegated some of its powers to the board of the Sir Charles Gairdner Hospital under Section 13(2a) of the Act.

The *Queen Elizabeth II Medical Centre (Delegated Site) By-Laws 1986* (WA) will apply with respect to the Site.

## 1.3 North Metropolitan Area Health Service

Most State-provided health care facilities located on the Site (including the Sir Charles Gairdner Hospital) form part of the North Metropolitan Area Health Service (**NMAHS**). The NMAHS is one of four area health services in Western Australia that deliver publicly-funded healthcare. The NMAHS provides services to a population of more than 870,000 people and has an annual budget of more than \$1.1 billion.

## 1.4 The Project

In 2009, the Trust and the State commenced detailed planning to enhance the car parking facilities on the Site for patients, visitors and staff. The Queen Elizabeth Medical Centre Car Parking project (**Project**) is a vital element of the broader redevelopment of the Site. In addition to providing current and future users with adequate, efficient and safe access to health services, the new car park will consolidate parking infrastructure and free up other parts of the Site for a range of other important health related projects and initiatives, including the New Children's Hospital Project (**NCH**).

Figure 1: Artist impression of the new car park from Hospital Avenue



To deliver this Project, the Trust has made available to the State land within the Site to enable the State to enter into a Build, Own, Operate and Transfer (**BOOT**)<sup>1</sup> contract with Capella Parking Pty Ltd (**Capella**) to design, construct and finance a new multi-deck car parking facility at the Site and maintain and operate the car parking facilities over the operating phase. The Trust has also entered into agreements by which Capella has been granted the right to collect and retain car parking charges across the Site<sup>2</sup> in accordance with a parking fee schedule agreed with the Trust and the State. The new car park will be opened in stages from late 2012, and will ultimately provide approximately 5,140 staff and visitor parking bays across the Site by the end of 2015.

---

<sup>1</sup> A Build, Own, Operate and Transfer model, or “BOOT” model is a form of a public-private partnership (**PPP**) that is typically used to deliver projects that transfer demand or usage risk to the private sector.

<sup>2</sup> Capella will be entitled to collect parking charges in the new car park it will construct, as well as the existing at-grade bays on the Site (including those that will be delivered as part of the new Cancer Centre and the NCH).

The table below provides a summary of the key aspects of the Project.

Table 1: Key project aspects

Capella Parking	
<b>Key members</b>	
Sponsor	Capella Capital
Builder	Probuild
Car Park Operator	Ezipark
<b>Financiers</b>	
Equity investors	Catholic Super and Lend Lease
Senior debt providers	ANZ and Investec
<b>Construction and capacity</b>	
New car park bays	Stage 1A 876
	Stage 1B 1,017
	Stage 2 <u>1,201</u>
	<b>Total (new car park) 3,094</b>
At-grade bays (2015)	2,046
Total Site bays (2015) <sup>3</sup>	<b>5,140</b>
<b>Key model outputs</b>	
Project duration	Approximately 26 years
Visitor parking charges	\$3.00 per hour (\$2011)
Staff parking charges	In accordance with the Access and Parking Strategy <sup>4</sup>
Parking charge escalation	Annually, CPI (Perth)
<b>Design</b>	
Footprint of new car park	181m by 67m
Height of new car park	21.8m
Façade treatment	Powder coated pressed / punched perforated aluminium panels in various colours. Louvres to ground floor. Glazed stair shafts.
<b>Commercial opportunities</b>	
Commercial opportunities (and floor space)	Approximately 1,800m <sup>2</sup> of retail space including <ul style="list-style-type: none"> <li>- cafe</li> <li>- convenience store</li> <li>- child care (90 places)</li> </ul>

<sup>3</sup> These figures include 300 bays in the NCH, but exclude the untolled Excluded Bays that are reserved for emergency vehicles, couriers and the like (currently ~100 on the reserve with provision for up to 150).

<sup>4</sup> Access and Parking Strategy for Health Campuses in the Perth Metropolitan Area (July 2010)  
[http://www.health.wa.gov.au/parking/docs/Access\\_and\\_Parking\\_Strategy\\_Web.pdf](http://www.health.wa.gov.au/parking/docs/Access_and_Parking_Strategy_Web.pdf)

## **1.5 Project Objectives**

At the commencement of planning for this Project a suite of project objectives was developed and agreed to guide project management and procurement activity. The project objectives for this Project are as follows:

- to meet the need to enhance and expand parking facilities on the Site by
  - improving Site accessibility for all hospital users
  - providing centralised, safe and secure on-site parking facilities
  - reconfiguring parking facilities on the Site to optimise its utilisation and enable the proposed redevelopment of the Site consistent with the endorsed master plan.
- to meet the State and Trust's investment objectives of
  - addressing current and future car parking demand
  - delivering the Project by the private sector with no financial support from the State
  - improving accessibility to Site services
  - optimising the utilisation of Site resources.

## **1.6 Delivery Model**

As noted above, the State and the Trust have approved the delivery of the Project as a BOOT. The selection of the delivery model is a critical decision for any large infrastructure project. The purpose of this process is to identify the delivery model that best suits the risks and opportunities of this project.

The following table presents a brief description of the delivery models analysed by the State as part of the 2010 business case.

Table 2: Delivery model assessment

Delivery model	Description
Public Build, Own and Operate	The Project is undertaken by government and the design and construction roles are tendered separately to the private sector.
Design and Construct ("D&C")	The design and construction of Project assets are combined into one procurement process which is tendered to one private sector party.
Design, Build, Maintain ("DBM")	The private sector is contracted to design, construct and maintain the facilities, with government retaining the operating responsibility.
Design, Build, Maintain and Operate ("DBMO")	The private sector operates the facilities in addition to the provision of design, construction and maintenance roles.
Design, Build, Finance, Maintain ("DBFM")	The private sector is contracted to provide financing in addition to the design, construction and maintenance of the infrastructure.
Build, Own, Operate, Transfer ("BOOT")	Government grants a long term leasehold interest to the private sector to finance, build, operate and maintain the service.

After a careful analysis, the Build, Own, Operate and Transfer ("BOOT") was identified as the model best suited to achieve the project objectives. Under this delivery model, the State will enter into a contract with a special purpose vehicle that will be required to:

- design and construct the new car park
- raise all necessary debt and equity funding to finance the construction of the new car park and other activities
- operate and maintain the new car park over the operating phase
- hand back the new car park to the Trust for nil consideration at the expiry of the operating phase in a pre-defined condition.

The BOOT model requires the private party to take full car park demand risk. No financial contributions or payments are required from the State over the duration of the Project and Capella will realise its investment from parking charges imposed on car park users.

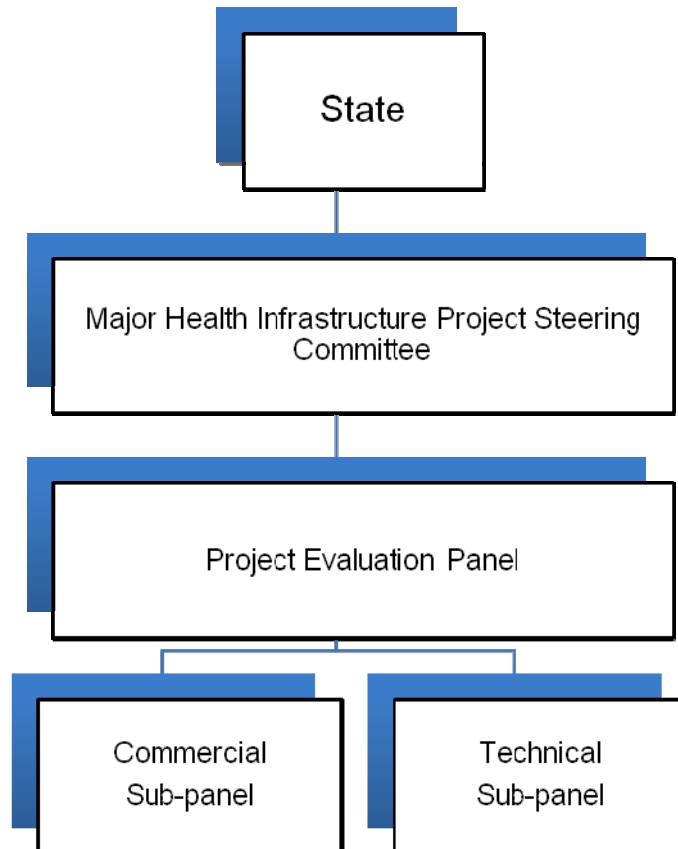
The advantages of this model include:

- significant risk transfer to the private sector. Competition in the tendering and negotiation process allows the State to allocate risks to those parties best able to assess and price those risks, resulting in the most efficient outcome
- the construction of a facility without significant financial outlay or debt for the State
- maximum incentive for the incorporation of whole of life design and operational solutions
- the construction of the most efficient and effective facility based on the full contemplation of requirements over the facility's lifecycle.

## 1.7 Procurement Process

The State undertook an open and competitive procurement process to appoint Capella as the car park operator. The procurement process was implemented in accordance with relevant State tendering guidelines. Senior State representatives were involved in the evaluation and recommendation of Capella's appointment. The State's evaluation structure is represented in the diagram below.

Diagram 1: State evaluation structure



The procurement phase was undertaken in three stages as described below:

### a) EOI phase

The procurement process commenced with the public release of the Invitation for Expressions of Interest (EOI) on 2 June 2010. The purpose of this document is to invite suitably skilled and qualified organisations to submit expressions of interest to deliver the Project. It also contained information concerning the Project and sets out the information that respondents are to provide in their submissions and the criteria against which submissions would be assessed.

After a detailed evaluation of the expression of interest submissions, the State invited three respondents to progress to the Request for Proposal (RFP) phase of the procurement process.

## **b) RFP phase**

The second phase of the procurement process was the RFP phase. This phase commenced with the release of the RFP document to short-listed respondents on 4 October 2010. The RFP contained the detailed technical, operational and commercial requirements for the Project. The RFP requested the short-listed respondents to submit fully costed and complete proposals based on the requirements set out in the RFP document.

During the months of October to December 2010, the State conducted an interactive tendering process (ITP) between the State and each of the short-listed respondents. The intention of the ITP is to provide timely and meaningful feedback on the concept design and other aspects of the RFP to assist respondents in understanding the State's requirements and to increase the quality of the final proposals.

Proposals were received on 23 December 2010, and were evaluated against a range of qualitative and quantitative criteria that considered the following:

- commercial proposal
- financial proposal
- architectural and design response
- construction management approach
- customer and facility management service approach
- value and risk proposition

After a detailed evaluation process, the State identified two respondents to proceed to negotiations.

## **c) Negotiations**

Both respondents were invited to submit a revised offer to address certain aspects of their RFP proposal. After a streamlined evaluation, Capella was identified as the preferred respondent, and after a short negotiation process to address a range of residual commercial and technical issues, contracts were executed on 5 July 2011 for the delivery of the Project.

The major advantages of Capella's proposal are:

- very competitive construction timetable that released car parking bays in stages, with construction activities finalised by mid 2014
- an impressive design solution befitting of its prominent location on the Site opposite King's Park and Winthrop Avenue
- highly competitive financing solution
- the provision of approximately 5,140 bays across the Site
- very competitive visitor charges of \$3.00 per hour (\$2011).

## 1.8 Probity

The procurement process was undertaken within a robust probity framework in accordance with the following probity principles:

- fairness and impartiality
- use of a competitive process
- consistency and transparency of process
- security and confidentiality
- identification and resolution of conflicts of interest
- compliance with State policies as they apply to tendering.

Key evaluation activities were monitored by an independent probity practitioner from Stanton's International in accordance with a probity plan and were supported by individual evaluation plans for each stage of the procurement process.

## 1.9 Timetable

Details of the timing of the procurement process and the Project generally are provided in the timetable below.

Table 3: Project timetable

Event	Date
<b>EOI phase</b>	
– Release of invitation for expressions of interest (EOI)	2 June 2010
– Closing date for submission of EOIs	30 June 2010
– EOI evaluation and short-listing of respondents	14 September 2010
<b>RFP phase</b>	
– Release of the request for proposal (RFP)	4 October 2010
– Closing date for responses to RFP	23 December 2010
<b>Negotiations</b>	
– Contract close	5 July 2011
– Financial close	6 July 2011
<b>Construction phase</b>	
– Date for stage 1A completion	10 October 2012
– Date for stage 1B completion	12 April 2013
– Date for stage 2A completion	31 October 2013
– Date for stage 2B completion	24 July 2014



## 1.10 Value for Money

The State's evaluation framework for the project sought to identify and deliver the best overall value for money solution. The concept of value for money goes beyond the selection of the cheapest solution, focusing on the overall value of each delivery option. This involves a careful analysis of the State-managed delivery option and each proposal received from the private sector. The analysis considered quantifiable elements (i.e. items that can be quantified in dollar terms) as well as subjective or qualitative considerations.

### **Public Sector Comparator (PSC)**

The PSC is an estimate of the risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed according to the same output specifications included in the RFP documentation and assumes the most likely and efficient form of conventional (i.e. traditional, non-PPP) delivery.

The PSC for the Queen Elizabeth II Medical Centre Car Parking Project was developed in accordance with the National PPP Guidelines. The PSC is an estimate of the length of time (the "concession term") required by the State to recover its risk adjusted investment in the construction and operation of the Project from user pays tolls, if the Project was to be delivered by the State (the reference project). It represents the estimated full value to the State of meeting the Project's requirements (as articulated in the RFP documentation), using a publicly funded procurement delivery method.

The PSC is expressed as a function of visitor parking charges and length of term. Project revenues and expenses are subjected to a discounted cash flow analysis that takes full account of the costs and risks that would be encountered by the State. The PSC includes amounts to cover the design and construction costs, car park charge revenues, lifecycle asset replacement costs and the maintenance and facilities management costs over the concession term of the Project.

The final commercial position reached with Capella has satisfied the State's value-for-money test as measured against PSC. Capella's term is seven years shorter than PSC estimates and has significantly cheaper visitor tolls as set out in the table below.

Table 4: Value-for-money assessment

	State's PSC	Capella PPP
Project term	33 years 9 months	Approximately 26 years
Visitor parking charges (\$2011)	\$3.50 per hour	\$3.00 per hour

In addition to these key commercial considerations, there are a number of qualitative aspects of Capella's solution that support the quantitative value for money conclusion.

- (design) Capella's design solution is considered to be excellent. The façade incorporates textured and perforated panels that allow for 100% natural air circulation but are not transparent. As such, the car park will closely resemble an occupied building when viewed externally from Winthrop Avenue and Hospital Avenue. Moreover, the panel colouring scheme will be developed by Capella, in collaboration with its design team to connect with the surrounding bushland and to assist in contrasting and "de-massing" the structure. The façade design has also been designed to incorporate a number of interesting night lighting scenarios that will be varied as the day progresses from dusk through to nightfall.

- (construction) Capella's construction profile is significantly faster than the construction assumptions incorporated into the PSC. Capella is contractually obliged to complete the new car park by July 2014. This represents a nine-month improvement over the State's reference project. Further, the first stage of Capella's multi-deck car park opens approximately three months ahead of the State's reference project, providing much needed capacity at the time that Site parking bays are at or near their lowest levels.
- (commercial opportunities) Capella's proposal includes a significant capital investment to provide the infrastructure for the delivery of a 90 place child care centre on the roof of the multi-deck car park and three retail outlets that will front Hospital Avenue. As well as enhancing staff amenity and choice, these facilities will revert back to the State for nil consideration at the conclusion of the term. All of these opportunities will be required to compete for patronage and business as there are no restrictions or prohibitions on the provision of similar or competing services on the Reserve.
- (operations) Operationally, the multi-deck car park will incorporate world-class European parking equipment technology. Staff members will not be required to validate tickets, use remote controls or produce swipe cards to access the car park. Rather, access and egress to parking bays will be facilitated by e-Tag technology that utilises a microchip embedded in a windscreen sticker. The multi-deck car park office will be manned 24 hours, every day of the year to provide around the clock customer service and an enhanced security presence.

### **1.11 Public Interest Considerations**

At various stages throughout the development of the Project, an assessment was made of the extent to which use of a BOOT PPP delivery would satisfactorily protect the public interest.

At all stages, it was considered that, on balance, the public interest was being protected.

Key points from the public interest assessment include:

- Site accessibility will be improved for all hospital staff and users through the construction of consolidated, centralised, safe and secure parking with increased capacity. Capella is responsible for meeting high standards in safety, security and quality of service, as supported by a detailed KPI regime
- Consistent with other hospitals in the Perth metropolitan area, parking charges for staff under the Project will be set in accordance with the 'Access and Parking Strategy for Health Campuses in the Perth Metropolitan Area'

- The Project offers value for money for the taxpayers and car park users
  - BOOT PPP procurement allows the car park to be delivered without significant capital contribution by the State or the Trust. This will allow the State to focus its capital budget directly on key health assets such as hospitals, rather than ancillary services
  - The term of the contract is considerably less than the State's PSC term of 33 years and 9 months.
  - The visitor charge detailed in the contract (\$3.00 per hour in \$2011) is less than the estimated charge that the State or the Trust would have to impose on visitors (\$3.50 per hour in \$2011) if the State or the Trust was to deliver the project
  - The BOOT PPP procurement will deliver qualitative benefits in terms of design, construction and operations
- The agreement with Capella includes the delivery of a 90-place child care centre on the roof of the multi-deck car park and three retail outlets that will front Hospital Avenue. These facilities will improve staff amenity and choice
- In the interests of meeting the long term parking needs at the site, the State has reserved the right to expand car park capacity on the site (with Capella or otherwise) where this is warranted by an increase in car parking demand



## 2. KEY COMMERCIAL FEATURES

Part Two of this document outlines the contractual relationships between the parties involved in the Project, including the allocation of risk and the obligations of both Capella and the State. A brief description of the Capella arrangements is also provided. In some areas, this Part provides more detail on the issues and topics discussed in Part One.

### 2.1 *Parties to the Project Documentation*

On 5 July 2011 the Treasurer, on behalf of the State of Western Australia, executed the Project Agreement and other associated Project documentation with Capella and other related parties to design, construct and finance the Project and provide ongoing maintenance and facilities management services over the operating term.

The relevant parties under the project documentation are:

#### ***State and statutory entities***

**The State:** The State is a signatory to the Project Agreement and other ancillary Project documents. The Treasurer, in accordance with his executive powers, is the person empowered to execute the project documentation on behalf of the State.

**The Trust:** The Queen Elizabeth II Medical Centre Trust is a statutory authority established under the *Queen Elizabeth II Medical Centre Act 1966* (WA). The Trust acts as the Site landlord and its main responsibility is for the development and maintenance of the Site as a centre of excellence for academic, clinical and scientific health outcomes. It has the powers to issue leases in accordance with its statutory powers.

**The Delegate:** The delegate is a statutory appointment made by the Trust under the *Queen Elizabeth II Medical Centre Act 1966* (WA). The Trust has appointed the Sir Charles Gairdner Hospital Board to act as its Delegate.

**The Board:** The Minister for Health is acting as the Board of the Sir Charles Gairdner Hospital in accordance with section 7 of the *Hospitals and Health Services Act 1927* (WA).

#### ***Private sector parties***

**Capella:** Capella Parking Pty Ltd is the organisation that has contracted to deliver the Project. Capella is the counterparty to the Project Agreement and is the main contracting entity with the State. Capella, in turn, has entered into a range of contractual relationships with its consortium partners to deliver elements of the Project. Notwithstanding this, Capella will be the organisation ultimately responsible for the delivery of the Project and will, among other things, provide strong, hands-on management over the duration of the Project.

**Equity Providers:** Lend Lease and Catholic Super have jointly committed to providing the total equity required for the Project.

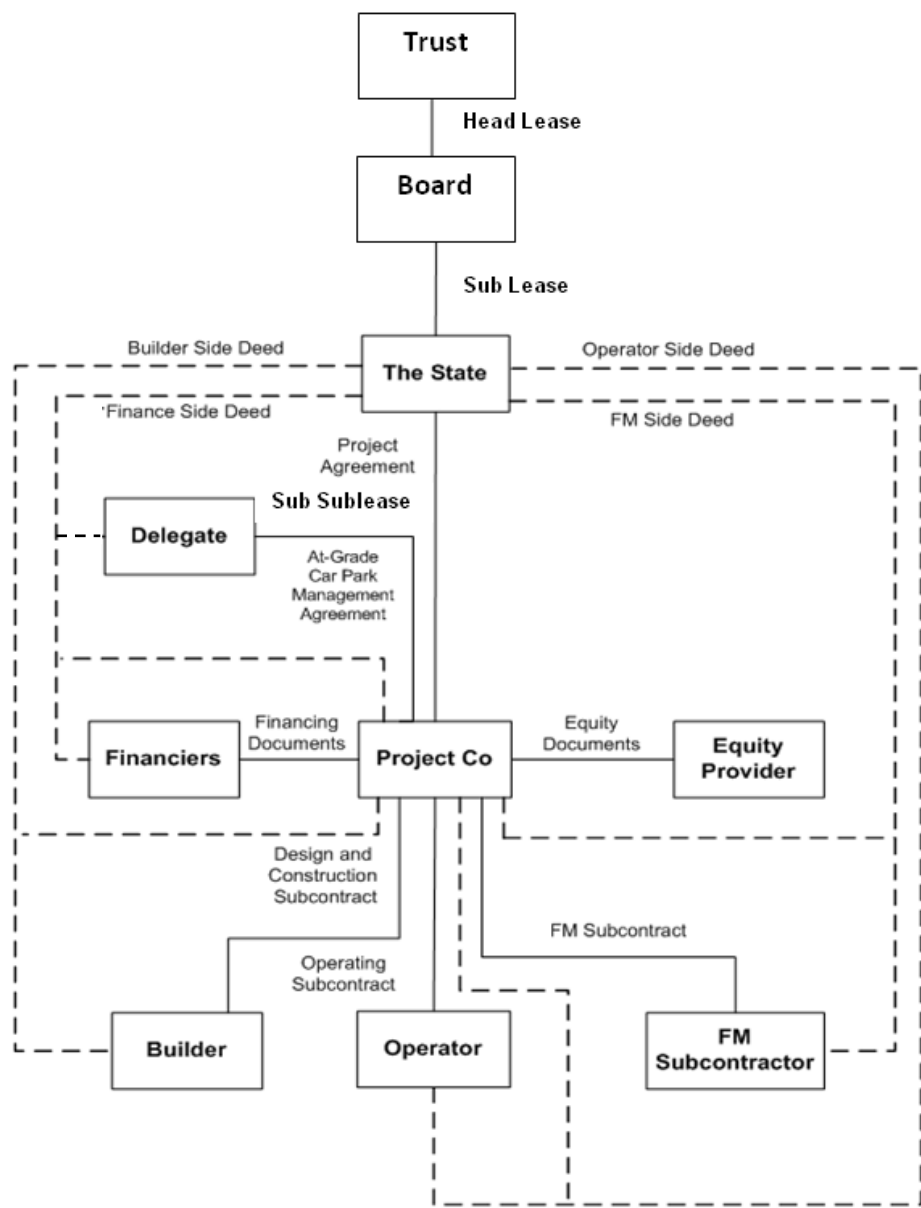
**Financiers:** ANZ and Investec have provided the senior debt, which is to be contributed by way of a construction facility and subsequent term facility. The Project's debt will be drawn progressively from Financial Close in accordance with the construction drawdown schedule.

**Builder:** Probuild has entered into a design and construct contract with Capella to undertake the design, construction and commissioning of Project.

**Car Park Operator:** Capella has engaged EziPark to provide car park operational services.

**FM Subcontractor:** Capella has engaged an FM Subcontractor to provide facility management services to the new car park.

Diagram 2: Contractual arrangements



**2.2 Project Documentation and Related Agreements**

The contractual arrangements associated with a BOOT delivery model are complex due to the involvement of private sector finance and long term operating agreements. The table below identifies the suite of contracts that the State entered into with Capella and a range of other project parties to secure appropriate land tenure arrangements and for the delivery of the Project itself.

Table 5: Project Documentation

Project Documents		
Name	Parties	Description
Project Agreement	State Capella	This is the main Project Document that sets out the key rights and responsibilities of Capella and the State. It covers both the construction and operating phases of the Project. It has been developed in accordance with <i>National PPP Guidelines</i> .
At-Grade Car Park Management Agreement	Delegate Capella	The At-Grade Car Park Management Agreement is an agreement between the Delegate and Capella to license and oblige Capella to be responsible for the overall parking arrangements of at-grade car parking on the site.  This document also contains the obligation on Capella to make the Licence Fee payments to the Trust.
Finance Side Deed	State Delegate Capella Financiers	The Finance Side Deed includes the Project's financiers as a counterparty and contains a number of provisions relating to financier cure rights, cashflow waterfall arrangements, financial default and use of insurance proceeds.
Builder Side Deed	State Capella Builder	The Builder Side Deed includes the Builder as a counterparty. The Deed creates a direct contractual relationship with the Builder in certain instances (such as Step-in) and provides a mechanism for the State to rectify or take over the responsibilities of Capella in certain circumstances.
FM Side Deed	State Capella FM Subcontractor	The FM Side Deed includes the FM Subcontractor as a counterparty. The Deed creates a direct contractual relationship with the FM Subcontractor in certain instances (such as Step-in) and provides a mechanism for the State to rectify or take over the responsibilities of Capella in certain circumstances.
Operator Side Deed	State Capella Operator	The Operator Side Deed includes the Operator as counterparty. The Deed creates a direct contractual relationship with the Operator in certain instances (such as Step-in) and provides a mechanism for the State to rectify or take over the responsibilities of Capella in certain circumstances.
State Deed of Charge	State Capella	This document sets out the terms on which Capella grants a first ranking fixed and floating charge to the State over its entire assets and undertaking as security for the performance of its obligations in accordance with the Project Documents.
Independent Certifier Deed of Appointment	State Capella Independent Certifier	The Independent Certifier is jointly appointed by Capella and the State over the construction phase to provide independent oversight of Capella's construction program and the completion and commissioning activities. This agreement sets out the terms of the appointment including the roles and responsibilities of the Independent Certifier.
Sub-sublease	State Capella	A sub-sublease of the site of the new car park will be granted by the State to Capella from Stage 1A completion for the duration of the Project.



Table 6: Other supporting documents

Other documents required to support the Project		
Name	Parties	Description
Head Lease	Trust Board	The Head Lease of the site of the new car park will be granted by the Trust to the Board for a peppercorn rent from Stage 1A completion.
Sub Lease	Board State	The Sub Lease will be granted by the Board to the State for a peppercorn rent from Stage 1A completion. This additional sublease is required structurally to provide that the State ultimately grants the sub-sublease to Capella.
Cooperation Deed	Trust State Delegate Board	<p>The Cooperation Deed is the key governance document that will set out how the Trust, Delegate, Board and State will interact for the benefit of the Project.</p> <p>The document is intended to facilitate the development of new car parking facilities, and to ensure that the State has the appropriate power to enter into the contractual arrangements with Capella, and the Trust and the Delegate agree to do certain things (such as granting leases and licences) as set out in this document for the benefit of the Project.</p>

## 2.3 Project Scope

The table below summarises the key responsibilities of Capella.

Table 7: Project Scope

Project Element	Description
<b>Project scope elements to be delivered by Capella</b>	
Finance	Capella is required to procure debt and equity finance for the duration of the Project.
Design and construction of the new car park	Capella is required to design, construct and commission the new car park including management of the design development process for the new car park.
Management of off-site works	Capella is required to undertake off-site works, such as traffic and road reconfigurations under a returned works arrangement.
Operation and management	Capella is required to operate and manage all parking bays across the Site, including revenue collection activities.

Services	<p>Capella is required to comply with services specifications in relation to the new car park and achieve specified key performance indicators in relation to those services. The services that Capella will deliver to the new car park include:</p> <ul style="list-style-type: none"> <li>• maintenance and life cycle replacement</li> <li>• traffic management</li> <li>• cleaning</li> <li>• waste management</li> <li>• pest control</li> <li>• grounds maintenance.</li> </ul> <p><i>NB: The Trust will retain certain other responsibility for the maintenance and upkeep of the parking bays on the Site that are not in the new car park.</i></p>
Handover at end of the Project	Capella is required to handover the new car park at the end of the Project in a well maintained and pre-specified condition.

## 2.4 Key Commercial Principles

The State has contracted with a single entity that will be responsible for the delivery of the Project. Car parking demand risk has been transferred to Capella. The commercial principles for the Project are based on the *National PPP Guidelines* (as they relate to economic infrastructure projects).

Set out below is a high level summary of a number of the key commercial principles that apply to the Project.

Table 8: Key commercial principles

Issue	Principle
Demand risk	Capella accepts the demand risk of staff, patients and visitors using the car parking facilities across the Site. Except for a limited range of circumstances (refer to the comments on the inclusion of a material adverse effect regime (MAE) below), Capella will not be compensated for events which affect demand for parking on the Site.
Capacity	Capella is contractually required to provide approximately 3,100 parking bays in the new multi-deck car park. These bays combined with the reconfiguration of a number of existing at-grade car parks and under-croft parking that will be provided as part of the Cancer Centre Project and New Children's Hospital project will provide approximately 5,140 staff and visitor parking bays across the Site.
Parking charges (staff)	<p>Capella is entitled to charge staff members to use the Car Parking Facilities and retain the revenue generated by such charges.</p> <p>Charges for staff parking will initially be set in accordance with the Access and Parking Strategy (<a href="http://www.health.wa.gov.au/parking/home/">http://www.health.wa.gov.au/parking/home/</a>) and will then be escalated annually in accordance with CPI (Perth) from 2014.</p>
Parking charges (patient and visitors)	Capella is entitled to charge \$3.00 per hour (or part thereof), up to a maximum of \$21.00 per day for patient and visitor parking. Charges for patient and visitor parking are anticipated to be escalated annually in accordance with CPI (Perth) from 1 July 2012.

Issue	Principle
Parking charge revenue	<p>Capella is entitled to retain all revenue received from the car parking facilities over the following time periods:</p> <ul style="list-style-type: none"> <li>the at-grade car parks: from the date that the new car park first commences operations (Stage 1A) until the end of the Project;</li> <li>the new car park: from the date that the new car park commences operations until the end of the Project; and</li> <li>the New Children's Hospital car park: from completion of the New Children's Hospital until the end of the Project.</li> </ul>
Access and parking requirements	<p>The Project Agreement safeguards a number of important aspects of the parking charges regime on behalf of car park users. Capella is not entitled to charge staff account keeping fees and fees for the replacement of lost staff access passes are regulated. Amongst other things, the regime will ensure the new car park is manned all day, every day and that Capella provides a range of car park payment options at no additional charge (including credit card and internet facilities) and customer service activities.</p>
Site tenure	<p>Capella is provided with appropriate access and occupation rights to facilitate the design and construction of the new car park and (as appropriate) to operate, maintain and manage car parking facilities across the Site.</p>
End of the Project	<p>Capella may be required to set aside funds to ensure that all works necessary to meet the hand back condition are undertaken in accordance with the requirements of the Project Agreement toward the end of the Project.</p>
Taxation	<p>Capella will take all taxation risk in relation to its activities.</p>
Revenue sharing	<p>The State has included a revenue sharing provision in the project documentation. These provisions require Capella to share revenues in the event that the actual financial performance of the Project exceeds that anticipated in the base case financial model by a predetermined amount.</p>
Refinancing	<p>The State has included refinancing gain provisions in the Project Agreement that require Capella to share in any greater than expected gains realised from refinancings over the duration of the Project.</p>
License fee payments	<p>Capella is required to make quarterly license fee payments over the operating phase of the Project.</p>
Material Adverse Effect (MAE) regime	<p>The Trust will reserve its right to control all aspects of the Site over the duration of the Project, but in doing so acknowledging that some actions may give rise to a claim in accordance with a MAE regime.</p> <p>Under the MAE regime, the State will agree to compensate Capella for specified actions that have a direct and material adverse affect on the financial performance of the car parking facilities. These events for which Capella may be entitled to compensation are generally within the control of the State.</p> <p>The MAE regime will not apply to a range of events that were expressly communicated to Capella during the procurement process, such as the impact of the construction of the New Children's Hospital and the introduction of enhanced public transport initiatives.</p>

Issue	Principle
Future car parking facilities expansion	<p>The Trust reserves its right to expand car park capacity on the Site (with Capella or otherwise), including where this is warranted by an increase in car parking demand.</p> <p>Capella is not automatically entitled to operate any new car parks, and if a satisfactory commercial arrangement cannot be reached with Capella, alternative service delivery arrangements can be put in place.</p>
New Children's Hospital car park	<p>The State will be responsible for building (and financing) the capital component of the New Children's Hospital car park as well as ongoing maintenance.</p> <p>All revenue collected from the New Children's Hospital car park will be retained by Capella as part of the overall Project arrangements.</p>

## 2.5 Commercial Opportunities

Capella is required to provide commercial opportunities within designated areas in the new car park over the operating phase of the Project. The commercial opportunities will include a 90-place child care centre on the top deck of the new car park, and approximately 300m<sup>2</sup> of mixed use retail space on the ground level. The constitution of the ground floor retail tenancy has not been finalised and Capella will require Trust approval before entering into any lease with prospective service providers. Although Capella has exclusive rights to provide commercial services within the new car park itself, there are no restrictions or exclusivity provisions in relation to the commercial activities that are or might be provided elsewhere on the Site or its surrounds.

## 2.6 Investment Recovery

It is expected that Capella's investment in the Project will be recouped via the receipt of staff and visitor parking charges and commercial rental income streams over the operating phase of the Project. The State is not required to financially contribute to the Project or underwrite a minimum level of car parking demand.

## 2.7 Retention Regime

Capella is required to ensure that the new car park continually meets a range of performance standards over the operating phase of the Project. The performance standards relate to all aspects of the facility, and will help ensure that it operates effectively, is safe and clean and otherwise maintained and operated to a high standard. In addition to this, Capella is required to undertake a range of services over the operating phase of the Project as set out in table 7 above.

To ensure that the performance standards are upheld, the Project Agreement contains a retention regime that entitles the State to escrow car parking revenues until such time as service failures are rectified once the failure points band threshold is breached. Any money escrowed will be released (without interest) once the service failure is rectified by Capella. Alternatively, the State can use the escrowed funds to rectify the service failure itself if it believes that Capella is not making proper efforts to rectify a service failure.

## 2.8 Modifications

The State (or Trust as appropriate) may request Capella to alter its parking charges or implement modifications to the new car park, provided that the State adequately compensates Capella. This includes an ability to remove works or services from the Project scope. Under the modifications regime, Capella must provide an estimate of the cost impact of any modification proposed by the State in a manner which complies with the requirements of the Project Agreement. All costs must be provided on an open book basis.

The State may pay for the modification either by way of a lump sum or an adjustment to the Project term (where the modification is financed by Capella). To provide greater transparency and certainty around modification costs, the Project Agreement specifies a range of pre-agreed margins and other on-costs Capella can claim in such circumstances. In addition to State-initiated modifications, the State must pay for cost increases arising from certain changes in law and policy above certain thresholds outlined in the Project Agreement.

## 2.9 Default, Termination and Step-in Regimes

### **Default**

A default by Capella under the contractual arrangements will entitle the State and the Trust to various remedies. Where a default has occurred, the State will in most circumstances be required to give Capella an opportunity to cure the default.

Where Capella and its financiers fail to cure a default within the agreed cure periods or to comply with an agreed cure or prevention plans (as applicable), this will generally give rise to the State's right to terminate the Project Agreement. Certain events of default are so severe that they are not subject to a cure regime and will give rise to a State termination right immediately upon their occurrence (e.g. insolvency of Capella). These events are called Immediate Termination Events.

### **Step-In**

In addition to termination rights (or potential termination rights), events of default and immediate termination events may trigger a range of other remedies for the State, including:

- the right to step-in to remedy the situation (i.e. the right to assume control and management of the Project, the works or the Services)
- the right to require the replacement of a subcontractor that caused the default.

The State or the Trust can also 'step-in' in cases of emergency. The Project Agreement also includes step-in rights for the State, including when:

- an emergency has occurred
- an immediate termination event or force majeure has occurred
- the State or Delegate is required to take action by law.

## ***Termination***

The Project Agreement can be terminated

- as a result of certain events of default
- as a result of a force majeure event
- voluntarily by the State.

Where the Project Agreement is terminated before the natural expiry of its term, Capella may be entitled to a termination payment. The basis for the calculation of the termination payment will be determined by the reason for the termination.

## **2.10 Finance**

Capella is responsible for the provision of debt and equity finance for the Project. Its funding structure comprises senior debt drawn progressively from Financial Close and equity committed at Financial Close by way of an equity letter of credit, with 100% of equity funding being contributed prior to the completion of construction activities.

The State and the Trust will not share in any losses that may occur upon refinancing of the debt but will be entitled to 50 per cent of the benefit of any refinancing gain over and above that anticipated in the financial model (and to the extent that Capella has recovered any losses on previous refinancings).

## **2.11 State Rights at Expiry of the Project**

The Project Agreement requires Capella to hand back the new car park to the Trust at the expiry of the Project for nil consideration and in a condition that meets the requirements of the Project Agreement. The Trust will then resume full control of the car parking activities (including revenue collection and retention). To ensure that the assets are in sound working order, the facilities will be independently inspected on an annual basis in the years leading up to handback to ensure that all lifecycle and maintenance works are being completed and that the facilities will meet the relevant handback conditions. The handback conditions are described in the Project Agreement.

The Project Agreement requires that, at a minimum, when the new car park is handed back to the Trust at the end of the term, it be in such condition that it is reasonable to expect that no major maintenance or refurbishment works (other than normal routine maintenance) would be required for a period of five years from contract expiry.

In the event that Capella fails to maintain the relevant facilities to the standard required to satisfy the handback requirements, the State will be entitled to withhold a portion of parking charges to cover the expense of any shortfall.



# Site Master Plan Diagram



