



VICTORIAN  
COMPREHENSIVE  
CANCER CENTRE  
PROJECT



# PROJECT SUMMARY

*Partnerships Victoria*

Victorian Comprehensive Cancer Centre Project

May 2012

BLANK PAGE

# Contents

<b>1</b>	<b>Part One: Project Overview</b>	<b>5</b>
1.1	Victorian Comprehensive Cancer Centre Project	5
1.1.1	The Project site	5
1.1.2	The building context as a gateway to the Parkville Precinct	6
1.1.3	The VCCC facilities	6
1.1.4	The Project Members	7
1.1.5	Project Need	7
1.1.6	Project Vision	8
1.1.7	Project Objectives	9
1.2	<i>A Partnerships Victoria</i> public-private partnership	10
1.3	Tender Process	11
1.4	Value for Money	14
1.5	Public Interest Test	17
1.6	Project Milestones	17
<b>2</b>	<b>Part Two: Key Commercial Features</b>	<b>18</b>
2.1	Project Documents	18
2.2	Parties to the Project Agreement and Documents	18
2.3	Risk Transfer	20
2.4	General Obligations of Plenary Health	24
2.5	General Obligations of the State	26
2.6	Payment Mechanism and Abatement Regime	27
2.7	Default, Termination and Step-In Regimes	28
2.8	Finance	30
2.9	Fitness for Purpose	30
2.10	State Rights at Expiry of Contract	30
2.11	Current Version	31
	<b>Glossary</b>	<b>32</b>
	<b>Appendix 1 Useful references</b>	<b>33</b>
	<b>Appendix 2 Key contact details</b>	<b>34</b>
	<b>Appendix 3 RFP Evaluation Criteria</b>	<b>35</b>
	<b>Appendix 4 Public Interest Issues</b>	<b>38</b>

# Foreword

This Project Summary provides information about the contractual nature of the Victorian Comprehensive Cancer Centre Project (Project).

*Partnerships Victoria* is part of the Victorian Government's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure. The *Partnerships Victoria* framework is designed to utilise private sector expertise in designing, financing, building and maintaining infrastructure projects. The *Partnerships Victoria* framework consists of the National PPP Policy and Guidelines and supplementary *Partnerships Victoria* Requirements. Further information on the *Partnerships Victoria* framework is available at [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au).

This Project Summary is divided into two parts. The first part provides a broad overview of the Project, including the rationale for undertaking it under the *Partnerships Victoria* framework, a summary of the tender process, the value-for-money calculation, the public interest considerations for the Project and the Project timetable. The second part focuses in more detail on the key commercial features of the Project, including the main parties and their general obligations, the broad allocation of risk between the public and private sectors and the treatment of various key project issues.

NB: 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 *Partnerships Victoria* Victorian Comprehensive Cancer Centre Project Agreement and associated Project documentation. The Project Agreement is available online at [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au).



# 1 Part One: Project Overview

## 1.1 Victorian Comprehensive Cancer Centre Project

The State of Victoria has entered into the Project Agreement with Plenary Health (CCC) Pty Ltd for the:

- design, construction and finance of the Victorian Comprehensive Cancer Centre (VCCC) facilities (the Facility) on the former Royal Dental Hospital site (the Site)
- construction management delivery of the VCCC facilities (the North Facility) on the Royal Melbourne Hospital (RMH) City Campus (the North Site)
- provision of a range of facilities management services for the Facility over a 25-year period.

The VCCC is a new \$1 billion (capital expenditure) world-class Comprehensive Cancer Centre<sup>1</sup> to be built in the inner Melbourne suburb of Parkville.

The VCCC aspires to be one of the best cancer centres in the world through the collaboration of recognised leaders in cancer research, care, treatment, education and training.

The VCCC is a powerful alliance of eight successful Victorian organisations committed to cancer control: Peter MacCallum Cancer Centre, Melbourne Health (through The Royal Melbourne Hospital), The University of Melbourne, the Walter and Eliza Hall Institute of Medical Research, The Royal Women's Hospital, The Royal Children's Hospital, Western Health and St Vincent's Hospital (Melbourne).

The VCCC is based on the principle that the more minds dedicated to cancer working closely together, the faster we will find ways to reduce the impact of cancer in our community.

It will see the next generation of advances in the prevention, detection and treatment of cancer. The centre will accelerate the discovery of new treatments, attract the nation's leading cancer researchers and provide a centre of excellence for people affected by cancer.

The construction of the Facility and the North Facility is jointly funded by the Victorian and Commonwealth governments, with contributions from VCCC Project member organisations, the sale of surplus land and philanthropic donations.

### 1.1.1 The Project site

The Project is to be delivered across the following two sites (collectively, Combined Site):

(a) Site

The Site is the triangular portion of land (0.88 hectares) bordered by Flemington Road, Elizabeth Street and Grattan Street on which all necessary works to construct the Facility will be undertaken (Works). The Site is formerly and popularly known as the Royal Dental Hospital site as it was used for a dental hospital and school.

---

<sup>1</sup> These facilities must demonstrate expertise in each of three areas: laboratory, clinical, and behavioral and population-based research. Comprehensive Cancer Centres, which refers to formal designation by the National Cancer Institute (<http://cancer.gov>) are also expected to initiate and conduct early phase, innovative clinical trials and to provide leadership in recruiting patients for trials. Comprehensive Cancer Centres must also conduct activities in outreach and education, and provide information on advances in healthcare for both healthcare professionals and the public.

### (b) North Site

This comprises all parts of the RMH City Campus site on which the North Facility works (North Works) will be undertaken (including the RMH City Campus 1B Building and Main Block).

The RMH City Campus is located opposite the Site on the north side of Grattan Street.

### 1.1.2 The building context as a gateway to the Parkville Precinct

The Combined Site is not only an entry point to the Melbourne CBD, it is also the gateway to the broader medical, research and education Parkville Precinct which lies to the north, east and west.

The prominence of the Combined Site will permit the VCCC to function as an entry portal to the Parkville Precinct and act as part of an emerging urban context which recasts Parkville as an extension of the city centre.



### 1.1.3 The VCCC facilities

The VCCC facilities comprise the purpose built Facility on the Site and the North Facility on the North Site, with multiple bridge links (Links) between the two facilities across Grattan Street.

Specifically, the purpose built facilities include:

- 160 overnight inpatient cancer beds
- a 42-bed capacity critical care unit
- 110 same day cancer beds
- a dedicated clinical trials unit with 24 treatment places

- eight refurbished medi-hotel beds, with additional space for overnight accommodation for families of country patients
- over 25,000 square metres of specialised research space
- eight operating theatres and two procedure rooms
- eight radiation therapy bunkers
- education and training facilities.

#### 1.1.4 The Project Members

Project Member organisations (Project Members) have formed an incorporated joint venture to facilitate the realisation of the Project vision and objectives. The VCCC Joint Venture currently has the following membership:

- Peter MacCallum Cancer Centre
- Melbourne Health (including The Royal Melbourne Hospital)
- The University of Melbourne
- The Royal Women's Hospital
- Walter and Eliza Hall Institute of Medical Research
- The Royal Children's Hospital
- Western Health
- St Vincent's Hospital (Melbourne).

The following member organisations will permanently occupy the VCCC facilities (Building Members):

- Peter MacCallum Cancer Centre (Operator of the Facility)
- The Royal Melbourne Hospital (for delivery of City Campus cancer services and cancer research)
- The University of Melbourne (for cancer research, education and training).

The VCCC facilities will provide a new home for the Peter MacCallum Cancer Centre and link with cancer services at The Royal Melbourne Hospital, The Royal Women's Hospital, and The Royal Children's Hospital, providing all VCCC patients with access to the best services and facilities.

The new facilities will also accommodate more than 1,000 researchers from the Building Members and other Project Member organisations.

The VCCC will have a major role in education and training, contributing to the ongoing renewal of the clinical and research workforce in Victoria and beyond. A well trained research and clinical workforce is essential to ensuring that Victorians have access to the best possible cancer care as close to home as possible.

In addition, the VCCC will treat patients referred with rare and complex cancers both in Victoria and beyond.

#### 1.1.5 Project Need

Cancer is the leading cause of death in Victoria. Each year, around 24,500 Victorians develop cancer and nearly 10,000 Victorians die from cancer and this number is increasing with a growing and ageing population. The prevalence of cancer in Victoria is estimated to rise by 40 per cent in the next ten years, predominantly due to ageing of the population and improvements in survival rates.

To ensure quality care is provided to the increasing number of people affected by cancer, there is a need to increase the capacity and functionality of Victorian cancer services. Additionally, there is a need to concentrate clinical and scientific leadership to develop, test and disseminate better strategies for cancer care.

A collaborative effort between many of Victoria's best minds in cancer research and treatment will make a difference, but this capability is currently restricted by factors such as geographical dispersion, ageing infrastructure, insufficient space and poor integration of laboratory research, clinical research and patient care.

A Comprehensive Cancer Centre (CCC) brings together specialist clinical cancer care, research and education to create synergies between research and clinical practice. The VCCC will be a world-class CCC that will accelerate the translation of new discoveries into innovative treatments and provide a centre of excellence for people affected by cancer. It will also be a leader in training cancer specialists across all disciplines to work throughout Victoria.

### 1.1.6 Project Vision

The vision for the VCCC is to save lives through the integration of cancer research, education and patient care. Through innovation and collaboration, the VCCC will drive the next generation of improvements in the prevention, detection and treatment of cancer.

#### **New discoveries translate to new treatments**

The VCCC will be committed to translating results from basic and clinical research to a high quality, seamless patient journey. While medical researchers investigate the most fundamental causes of cancer, biotechnologists and clinical researchers explore ways this knowledge can be applied, giving patients access to the latest experimental protocols. The collaborative work of researchers and clinicians from many disciplines will provide greater insight into risk factors, the best ways to treat the disease or prevent it all together.

The comprehensive range of cancer services integrated with world class research and education programs will enable the VCCC to accelerate the development of new cancer treatments that will benefit the entire Victorian cancer system and beyond. Regional cancer services will be improved even further through the education and training opportunities available through the VCCC for cancer research and cancer healthcare professionals.

The VCCC will have close ties to the community by serving as a focal point for new discoveries and treatments and integrating these outcomes with education and public awareness. The resources of the VCCC will link with other cancer services across metropolitan and regional Victoria so many patients will receive treatment closer to home.

#### **Magnet for talent, collaboration and advancement**

The VCCC will rival the world's best and will be home to more than 1,000 talented researchers with access to state-of-the-art technologies. It will be a magnet for the best and brightest minds in cancer and for new collaborations.

Armed with new insights, scientists will pursue some of the most promising, cutting-edge research in the world. Advances from this work will lead to earlier detection, improved drug therapies, and ultimately, to a dramatic increase in survival rates and quality of life. Greater progress in the struggle against cancer will also come from collaboration among scientists, clinicians and the cancer patients themselves.



### A world of difference

Most importantly, the VCCC will foster belief in a future where many cancers can be survived and more cures are within reach. Excellence in cancer research and treatment will enable the VCCC to make a very real difference to the lives of patients and their families.

#### 1.1.7 Project Objectives

The Project will deliver a world-class facility and physical environment which:

##### Service delivery, care and research

- supports access and patient-centred care which is culturally and spiritually sensitive, and respects the dignity of patients and their carers
- maximises its design and landmark location to provide a healing environment for patients, families and staff, and the community
- is operationally efficient, optimising the use of people and resources, capable of achieving service plan targets, research activity and sustaining service levels into the future
- harnesses evidence-based design to create an environment that enhances patient safety as well as clinical and research excellence
- supports shared platform technologies and services for research
- provides efficient, appropriate integrated linkages between research and clinical service provision and clinical support

##### People

- supports attraction and retention of high quality, committed and inspired staff

##### Future proof and flexible

- has flexibility in design and infrastructure capable of adapting to new technologies (clinical, research and information) and emerging trends in:
  - the clinical management of cancer
  - changes in clinical practice and models of care
  - models of research delivery
  - changes in government policy, legislation and standards

##### Research

- promotes an environment where research is a daily part of clinical care and other activities of the VCCC
- supports and facilitates globally competitive research that capitalises on Project Member strengths across the disciplines of laboratory, translational and clinical research as well as clinical trials
- drives discovery and cross disciplinary interaction by taking advantage of the co-location of two major research organisations as well as the clinical opportunities and insights provided by co-location of research groups within a major health care provision complex

##### Education and training

- engenders an active learning environment, providing appropriate facilities for teaching and research within clinical and research areas and between the VCCC and other Western and Central Melbourne Integrated Cancer Services (WCMICS) members, and where appropriate to link with other Integrated Cancer Services (ICS) within Victoria

### Business continuity

- achieves a successful relocation of the Peter MacCallum Cancer Centre with no unplanned interruption to the ongoing delivery of services and research activities at the Royal Melbourne Hospital City Campus during VCCC facility construction

### Stakeholder relationships

- is achieved through a constructive relationship with users, staff, the local community and communities of interest in the Parkville Precinct

### Government commitment, policy and objectives

- is procured, completed and maintained in a manner which delivers value-for-money to the State
- is an internationally acclaimed sustainable facility which achieves State sustainability policies/objectives including greenhouse gas and peak energy demand reduction, water conservation and waste minimisation

### Commercial Opportunities

- delivers commercial opportunities in accordance with the Commercial Opportunities Guiding Principles which are otherwise synergistic and complementary to the Project Vision and Objectives, planning considerations and other constraints, and the public nature of the surrounding environment
- ensures the commercial opportunities do not compromise or unduly increase risk associated with the delivery of the Project, the core clinical, research and educational activities or the Services, or otherwise impact the business of the Operator, other Project Members and the State
- maximises the proceeds realised from commercial opportunities and lowers the overall cost of the Project to the State.

## 1.2 A *Partnerships Victoria* public-private partnership

The Project is being delivered as a public-private partnership (PPP) in accordance with the Victorian Government's *Partnerships Victoria* framework. The *Partnerships Victoria* model seeks to achieve better value for money by capturing the expertise and efficiencies of the private sector in designing, financing, building and maintaining infrastructure projects and provide services on a whole-of-life basis where appropriate.

The *Partnerships Victoria* framework requires compliance with the:

- National PPP Policy and Guidelines (National PPP Guidance) that were endorsed by the Council of Australian Governments on 29 November 2008 and apply across all State, Territory and Commonwealth arrangements
- requirements specific to Victoria as detailed in the *Partnerships Victoria* Requirements.

Details of the National PPP Guidance and the *Partnerships Victoria* Requirements are available at: [www.infrastructureaustralia.gov.au](http://www.infrastructureaustralia.gov.au) and [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au) respectively.

### Procurement Assessment

In January 2009, during the business case development phase, the State considered a range of procurement models and identified several delivery methods for detailed assessment, such as:

- unbundled construction based models that separate the procurement of the design and construction of the facility from its ongoing maintenance and other ancillary services

- construction based models that include an element of facility maintenance typically of hard facilities management but with no soft facilities management
- PPP procurement model that includes hard facilities management and soft facilities management, but excludes core clinical services
- full private delivery that includes all aspects of the project including clinical services.

A range of key procurement drivers were considered in evaluating each of the above-mentioned models that included ensuring the achievement of:

- timely delivery of the project
- optimal whole-of-life costs and value for money
- optimal risk allocation
- an efficient and appropriate facility design (including safe and secure)
- certainty of costs over the life of the asset
- service and maintenance standards over the life of the asset
- flexibility in operations over the life of the asset
- innovation in asset and service delivery
- a competitive outcome.

After a detailed assessment of the various delivery models, the Partnerships Victoria procurement model with an embedded design and construct arrangement for the North Works at the RMH City Campus was identified as the preferred option. This was assessed as the preferred procurement model primarily on the basis that:

- PPP delivery is the only delivery method that transfers maintenance risk, site risk, asset capability risk and interface risk to the private sector
- PPP delivery provides optimal whole-of-life costs as the private sector is responsible for long-term maintenance in addition to design and construction, which should drive an optimal whole-of-life outcome
- there is evidence of sufficient market depth to allow the State to achieve a competitive outcome through this model.

The above assessment was supported by the business case undertaken for the Project.

### 1.3 Tender Process

The State conducted a competitive tender process to identify the private sector party to deliver the Project. The tender process was implemented in accordance with the *Partnerships Victoria* framework to ensure that the State received the best value-for-money outcome. The tender process involved a call for registrations of capability from the market (through the issue of the Expressions of Interest (EOI) document), receipt of EOI registrations, issue of a Request for Proposal (RFP) to short-listed respondents, submission of proposals, an evaluation and clarification phase, a Best and Final Offer (BAFO) phase, followed by an exclusive negotiation that lead to the appointment of a Preferred Respondent and finalisation of contractual documentation for execution.

*Table 1: Key procurement milestones*

Date	Tender Process
11 November 2009	Invitation for EOI issued
10 December 2009	EOI proposals submitted
4 March 2010	Short-list of respondents to proceed announced
23 June 2010	RFP issued
2 December 2010	RFP proposals received
7 February 2011	BAFO Brief issued
22 March 2011	BAFO proposals received
25 August 2011	Commencement of exclusive negotiation
7 November 2011	Preferred Respondent announced
7 December 2011	Contractual Close
14 December 2011	Financial Close

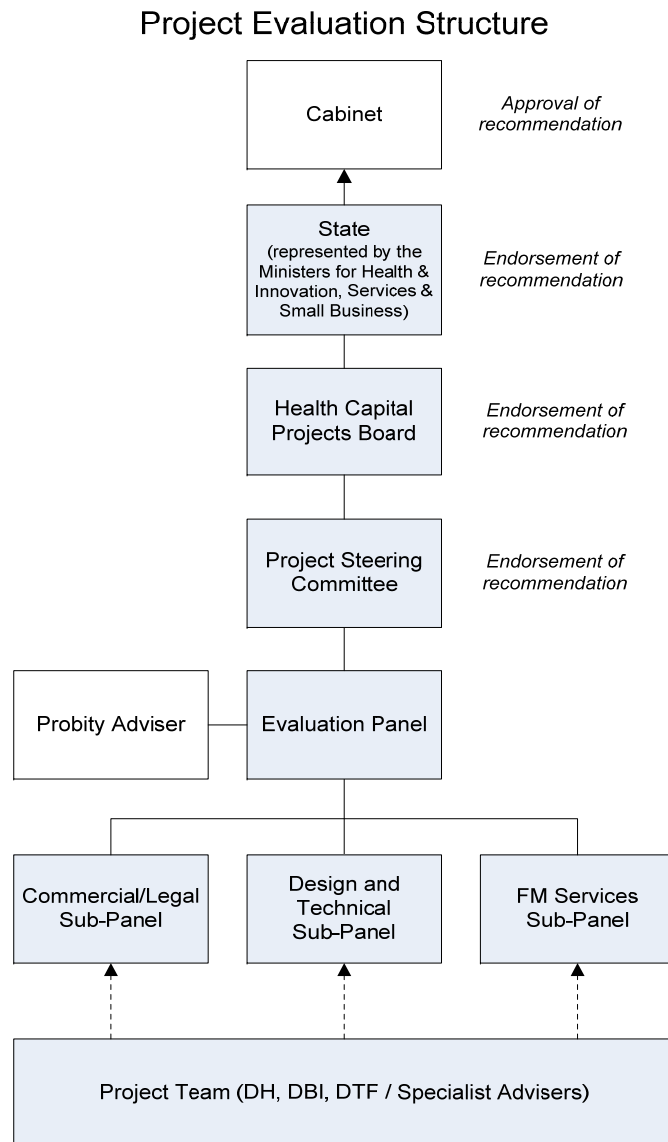
A formal project governance structure was put in place to oversee the tender process, including without limitation, the evaluation of the detailed RFP and BAFO proposals. The governance structure is represented diagrammatically in Figure 1 on the next page.

The RFP and BAFO evaluations were led by an Evaluation Panel which was supported by three discipline-based evaluation sub-panels: Commercial and Legal, Design and Technical and Facility Management Services. Evaluation Panel and sub-panel membership was selected based on stakeholder representation (including the Departments of Treasury and Finance and Department of Premier and Cabinet) and requirements for appropriate and relevant skills and experience. The sub-panels were supported by the Department of Health and Department of Business and Innovation staff, specialist advisers and other government agencies as required. The key selection criteria used in the assessment of proposals are presented in Appendix 3.

RFP proposals from a short list of three tender respondents were received on 2 December 2010.

Following an extensive RFP evaluation process during which no single Preferred Respondent was able to be identified, a BAFO process was undertaken with all three respondents. At the end of the BAFO process, the State invited the Plenary Health (CCC) Pty Ltd (Plenary Health) consortium to enter into exclusive negotiations with the State. The State entered into the structured exclusive negotiations with Plenary Health with a view to resolving a number of key issues identified during the evaluation process as requiring resolution before a Preferred Respondent could be appointed.

Figure 1: Project evaluation structure



At the completion of the exclusive negotiation period, the State was satisfied that all key issues had been addressed and Plenary Health’s solution continued to represent best value-for-money.

Accordingly, the State appointed Plenary Health as Preferred Respondent and proceeded to negotiating the final form Project documents and executing the Project Agreement and ancillary contracts that govern the Project.

The major strengths of the Plenary Health proposal are:

- a highly competitive, risk-adjusted whole-of-life cost
- a strong funding and commercial solution
- an outstanding functional and architectural design solution including a fundamentally different architectural and interior design approach by incorporating a multi-level atrium space that adds significant amenity to the patient, visitor and staff experience
- an innovative planning approach for future expansion through additional floor space provided within the commercial opportunity framework which includes provision of the Country Patient Accommodation that can be converted to clinical space, extra generic laboratory clusters and

general shell clinical and office areas, which will be available for lease by the State and revert to the State ownership at the end of the term

- an effective service delivery strategy and model that efficiently met the State's operational requirements as well as demonstrated clear understanding of the unique nature of the VCCC environment
- an appropriate allocation of project risk between parties.

The tender process was undertaken within a robust probity framework, endorsed by the Project's probity adviser, based on the following probity objectives:

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

## 1.4 Value for Money

The *Partnerships Victoria* framework seeks to identify and implement the most efficient form of infrastructure delivery. The concept of value for money goes beyond the selection of the cheapest solution, focussing on the true value of each delivery option. This involves a careful analysis of State-managed delivery options and each proposal received from the private sector. The analysis considered quantifiable elements (i.e. items that can be quantified in monetary terms) as well as qualitative considerations.

### *Public Sector Comparator*

The Public Sector Comparator (PSC) is an estimate of the hypothetical, risk-adjusted, whole-of-life cost of the Project if delivered by the State. The PSC is developed in accordance with the proposed output specification and risk allocation included in the RFP and is based on the most likely and efficient form of conventional (i.e. non-PPP) delivery by the State.

The PSC is expressed in terms of the net present cost to the State, calculated using a discounted cash flow analysis and takes full account of the costs and assumed risks that would otherwise be encountered using the alternative style of procurement. The PSC includes amounts to cover both the design and construction costs and the maintenance and facilities management costs during the 25-year operating phase of the Project.

The PSC is made up of a number of elements as indicated in Table 2.

Table 2: Public Sector Comparator

Components of the Public Sector Comparator (PSC)	Net Present Cost \$m
Capital costs	779.2
Lifecycle and asset service costs	183.3
Operating costs	224.9
Raw PSC	1,187.4
Transferred risks	85.2
Competitive neutrality	0.0
PSC (excluding retained risk)	1,272.6

Note: The assumptions used to formulate the PSC include:

1. All values are expressed in net present values as at 30 November 2011 and discounted at a nominal discount rate of 5.96% per annum in accordance with the National PPP Guidance applying under the *Partnerships Victoria* framework
2. The transferred risk totalling \$85.2 million refers only to those capital, lifecycle and operating risks transferred to the private sector under the *Partnerships Victoria* arrangements (i.e. those risks that the State would otherwise assume) and excludes the State's estimates of its retained risks
3. The competitive neutrality adjustment removes any net competitive advantages that accrue to a government business by virtue of its public ownership. No allowance was made in the PSC for competitive neutrality.

The net present cost of the total payments including service payments to be paid to Plenary Health is compared with the PSC. If it is lower than the PSC, it is an indication that at face value, the proposal represents quantitative value for money.

Table 3: Quantitative value-for-money comparison between Public Sector Delivery and Private Sector Delivery

	Net Present Cost of Public Sector Delivery (\$m)	Net Present Cost of Plenary Health's winning proposal (\$m)	Value-for-Money (\$m)
Contractual Close	1,272.6	1,263.3	9.3

The final contract value, incorporating market movements of base interest rates between Contractual Close and Financial Close is presented in Table 4. In accordance with *Partnerships Victoria* policy, the State retains and manages the risk of base interest rate movements on a whole-of-government basis between the time of final bid submission and the contract becoming unconditionally operative (Financial Close).

Table 4: Final contract value

	Net Present Cost of Plenary Health's winning proposal (\$m)
Contract value at contract signing	1,263.3
Impact of base interest rate movements	10.7
Final contract value	1,274.0

The \$1,274.0 million net present cost of Plenary Health's proposal includes the design and construction costs, lifecycle asset replacement costs, maintenance and facilities management costs over 25 years. Moreover, the outcomes delivered within the \$1,274.0 million contract price incorporate qualitative value for money benefits such as additional gross floor area and other design enhancements that go beyond the scope of the State's reference project used to determine the PSC.

*Additional value-for-money benefits of Plenary Health's proposal*

The Plenary Health proposal delivers value-for-money from a cost perspective. This quantitative measure does not recognise a range of other significant value-for-money benefits provided by the Plenary Health proposal that were not allowed for within the PSC.

These benefits include:

- a) innovation and optimised asset utilisation through provision of future expansion space delivered by Plenary Health at its own costs and risks:
  - approximately 950m<sup>2</sup> of additional floor space that could be converted in the future to an In-Patient Unit or other clinical/office use on a lower clinical level (designed by Plenary Health to be used upfront as country patient and family overnight accommodation)
  - approximately 2,100m<sup>2</sup> of additional generic research laboratory space (two clusters) on the top research floor (designed by Plenary Health for commercial use upfront)
  - approximately 5,300m<sup>2</sup> of additional floor space by converting an interstitial plant space into one full floor of cold shell space (intended by Plenary Health for commercial use if the State elects not to take up this space).
- b) innovation and optimised asset utilisation through greatly enhanced user amenities:
  - 16 serviced apartments, with 18 beds, to be used as country patient and family overnight accommodation
  - landscaped roof-top garden / function area
  - greater choice of retail outlets such as community pharmacy, scientific equipment servicing and supply, restaurants, cafes, etc.
- c) innovation through commercialisation of core public services:
  - private sector provision of the cyclotron (both space and equipment requirements) and commercial production of isotopes in joint venture with Peter MacCallum Cancer Centre
  - the proposed establishment of the first Maggie's Centre (originated in the UK) in Australia delivering patient information and support services
- d) appropriate risk transfer and whole of life costing of the Project:
  - ability for the State to better transfer the complex risk profile of the Project to Plenary Health (detailed in Section 2.3)



- Plenary Health is fully responsible for the up-front design and construction costs, ongoing service delivery, refurbishment and maintenance costs (detailed in Section 2.4).

## 1.5 Public Interest Test

At various stages throughout the development of the Project, an assessment was made of the extent to which the Project was in the public interest. The analysis was undertaken in accordance with the Partnerships Victoria guidance on how to evaluate whether a project meets the public interest.

At all stages it was considered that, on balance, the public interest was being protected. Appendix 4 contains a summary of the final Public Interest Test.

## 1.6 Project Milestones

All facilities are scheduled to be technically complete by the end of first quarter 2016, following completion of construction in late 2015.

*Table 4: Project milestones*

<b>Project milestone</b>	<b>Date</b>
Contractual Close	7 December 2011
Financial Close	14 December 2011
Construction completion	December 2015
Technical Completion	February 2016
Commercial Acceptance	June 2016
End of Project Term	June 2041

## 2 Part Two: 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 Plenary Health (CCC) Pty Ltd and the State. A brief description of the Plenary Health arrangements is also provided.

### 2.1 Project Documents

On 7 December 2011 the Minister for Health, on behalf of the State, executed the Project Agreement and other associated Project documentation with Plenary Health (CCC) Pty Ltd and other related parties to design, construct and finance the Facility (including the Links) and provide ongoing maintenance and soft facilities management services over a 25-year term.

The Minister for Health also executed the North Construction Management Agreement with Plenary Health to provide construction management services for the design, construction and commissioning of the North Facility.

### 2.2 Parties to the Project Agreement and Documents

The relevant parties under the contractual arrangements are:

- **The State:** The State is a signatory to the Project Agreement and other ancillary Project documents, including the North Construction Management Agreement. The Minister for Health is the person empowered to execute these contracts on behalf of the State.
- **Plenary Health (CCC) Pty Ltd:** Plenary Health (CCC) Pty Ltd in its personal capacity and as trustee for Plenary Health Unit Trust is the organisation that has been contracted to deliver the Project. Plenary Health is the counterparty to the Project Agreement and the North Construction Management Agreement, and is the main contracting entity with the State. Plenary Health, in turn, has entered into a range of contractual relationships with its consortium partners to deliver elements of the Project. Notwithstanding this, Plenary Health 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 Provider:** Plenary Group, investment vehicles owned by UniSuper Limited and investment vehicles advised by Partners Group AG have jointly committed to providing the total equity required by Plenary Health.
- **Financiers:** National Australia Bank Limited, Export Development Canada, Mizuho Corporate Bank Ltd, The Bank of Tokyo-Mitsubishi UFJ, United Overseas Bank Limited, BOS International (Australia) Limited, Industry Funds Management Pty Ltd, H.E.S.T Australia Limited and CARE Super Pty Ltd are senior lenders providing the total debt required by Plenary Health. The senior debt is drawn progressively from Financial Close in accordance with the construction drawdown schedule.
- **Builder:** Grocon Constructors (Vic) Pty Ltd (Grocon) and PCL Constructors Pacific Rim Pty Ltd (PCL) entered into an unincorporated joint venture for the purpose of undertaking the design, construction and commissioning of the Facility and the Links. This joint venture combines the complementary skills of PCL experience in delivering health PPP facilities of this size and complexity in Canada and Grocon which has local experience in delivering landmark projects. PCL and Grocon are also providing, on behalf of Plenary Health (CCC) Pty Ltd, construction management services in relation to the North Facility.
- **Facilities Management Subcontractor:** Plenary Health has engaged Honeywell Limited to deliver hard and soft facilities management services across the Facility.

## Project contractual relationships

The relationship between the State, Plenary Health and other related parties is detailed in the Project Agreement and associated contracts. The structure and principal agreements required for the delivery of the Project are outlined in the Figures below.

Figure 2: Contractual relationships under the Project Agreement for the Facility

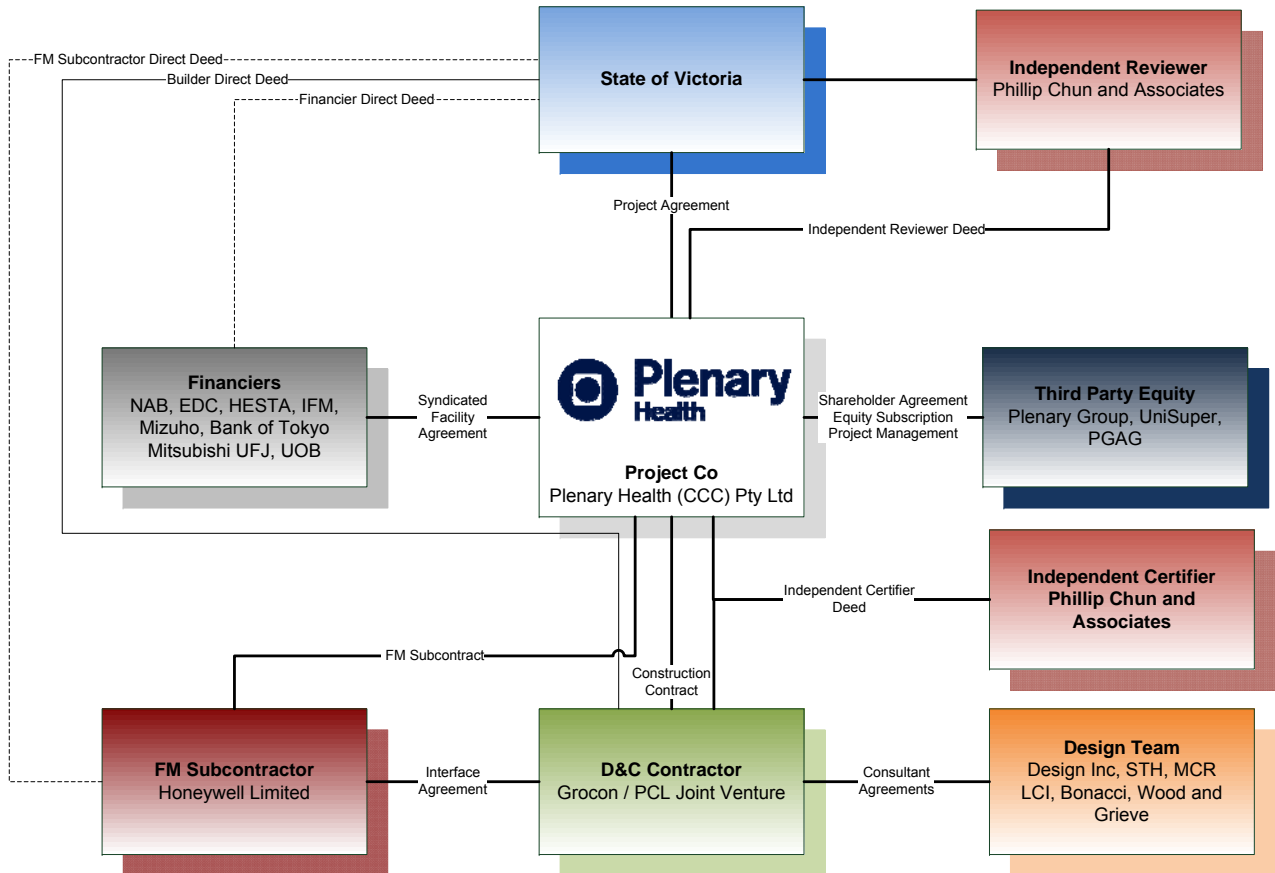
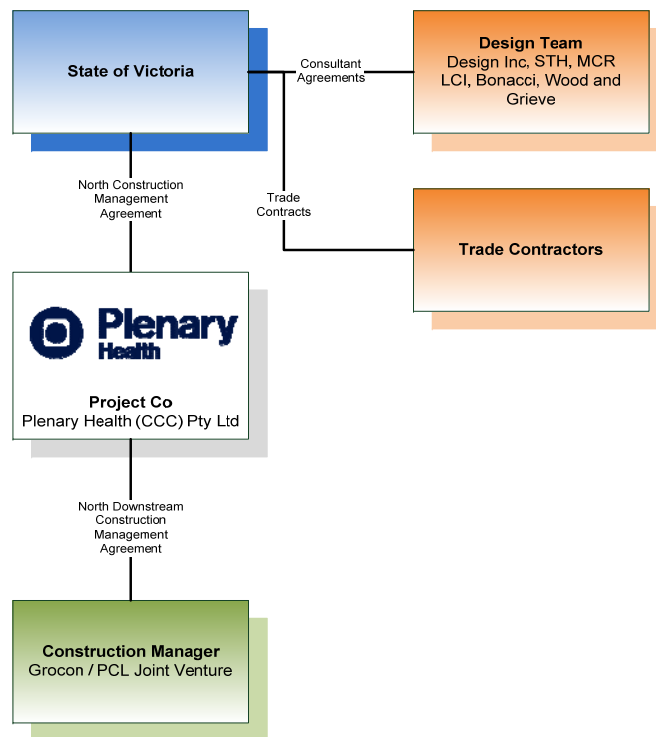


Figure 3: Contractual relationships under the North Construction Management Agreement for the North Facility



### 2.3 Risk Transfer

The risk allocation in the Project Agreement is consistent with the *Partnerships Victoria* framework. In *Partnerships Victoria* projects, the State seeks to achieve best value for money by allocating risks to the party best able to manage them. This process results in various risks being:

- retained by the State
- transferred to the private sector, and/or
- shared between the parties.

The Project Agreement and associated documents establish the obligations of each party in managing these risks.

Table 5 and Table 6 provide a high-level outline of the risk allocation for the Facility and North Facility respectively. Where a risk is allocated to both parties, the parties may not share that allocation equally. All risks are dealt with in detail in the Project Agreement and associated Project documents.

Table 5: Risk allocation positions for Facility

Risk Category	Description	State	Plenary Health
<b>Planning Risk</b>			
Obtaining appropriate planning approvals	The State is responsible for the Site being appropriately zoned for general hospital use. Risk that planning permits for the use of the Site are required.	✓	✓ (where approval is required solely because of Plenary Health’s misconduct or a change in its proposal)

Site Risks			
Known pre-existing contamination	Cost relating to the management and removal of known pre-existing contamination in the Site		✓
Contamination for which State responsible	Cost relating to management and removal of contamination caused by the State, that migrates onto Site post contract, or that State requires remediated to higher standard than legally required	✓	
All other contamination	Cost relating to the management and removal of all other contamination on any site	✓	✓
Artefacts, heritage claim	Risk that any site has archaeological and cultural heritage value (above or below ground)	✓	✓
Native Title	Risk that any site is the subject of a Native Title claim	✓	
Design, Construction and Commissioning Risks			
Design risk	The risk that the design development activities cannot be completed on time and/or to budget and the design does not allow the delivery of the Services to the Services Specification		✓
Construction risk	The risk that construction activities cannot be completed on time and/or to budget		✓
Defects risk	The risk that defects are identified following completion of construction		✓
Equipment	Responsibility for the selection, procurement and maintenance of equipment	✓	✓
Fit for purpose (commissioning)	Risk that the Facility is not constructed so as to be fit for purpose or does not comply with contractual obligations		✓
Modification	If the State elects to make a significant variation to the Facility or the Services to be provided by Plenary Health	✓	
Commissioning and Completion	Risk that the Facility cannot be commissioned in accordance with the agreed commissioning criteria		✓

Operational Risks			
Fit for purpose (operating)	Risk that the Facility is not able to deliver the services and/or is not fit for purpose at the required levels		✓
Operational costs (non-reviewable services and facilities management)	Risk that operational costs exceed Plenary Health's' budgeted cost over the operating phase of the Project		✓
Operational costs (reviewable services)	Risk that operational costs exceed budgeted cost over the operating phase of the Project	✓	✓
Lifecycle costs	Risks associated with the replacement and refurbishment of the Facility over the operating phase of the Project		✓
Utility price and volume risk	Risk of change in the price of the utility inputs required by the facilities and energy demand risk	✓	
Change in Law or Policy Risks			
Changes in Law and Policy (General)	Risk that a change in legislation / regulations, State policy or quality standard, which applies generally, will impact on the design or construction of the Facility or provision of the Services	✓	✓
Changes in Law and Policy (Project Specific)	Risk that a change in legislation / regulations, State policy or quality standard, which expressly and exclusively applies to the Project, will impact on the design or construction of the Facility or provision of the Services	✓	
Tax risk	Risk of changes in income tax, GST or the introduction of a tax affecting companies generally		✓
Force Majeure			
Force Majeure	Risk that specified unforeseen events will impact on the design or construction of the facility or on the provision of the Services	✓	✓
Finance Risk			
Funding risk	Risk of providing funds to meet design and construction costs		✓
Base interest rate risk after Financial Close to the first scheduled refinancing	Risk of movements in base interest rates after Financial Close to the first scheduled refinancing		✓

Finance Risk cont			
Base interest rate risk from the first scheduled refinancing	Risk of movements in base interest rates from the first scheduled refinancing	✓	
Shared operating insurance premium risk	Risk of inability to obtain insurance or material increases in insurance premiums (e.g. industrial special risks / consequential loss, public and products liability and workers compensation insurance)	✓	✓
Residual condition	Risk that on expiry of the contract term the condition of the asset is less than that required by the Project Agreement		✓

Table 6: Risk allocation positions for North Facility

Risk Category	Description	State	Plenary Health
<b>Planning Risk</b>			
Obtaining appropriate planning approvals	The State is responsible for the North Site being appropriately zoned for general hospital use. Risk that planning permits for the use of the North Site are required.	✓	
<b>Site Risks</b>			
All contamination	Cost relating to the management and removal of all contamination on the North Site	✓	
Artefacts, Heritage claim	Risk that any site has archaeological and cultural heritage value (above or below ground)	✓	
Native Title	Risk that any site is the subject of a Native Title claim	✓	
<b>Design, Construction and Commissioning Risks</b>			
Design and construction risk management	Risk that the management of the design and construction processes impacts negatively on the final design and/or construction outcome for the State		✓
Design risk	The risk that the design development activities cannot be completed on time and/or to budget and the design does not allow the Operator to deliver intended Services	✓	

<b>Design, Construction and Commissioning Risks cont</b>			
Construction risk	The risk that construction activities cannot be completed on time and/or to budget	✓ (but passed to contractor executing works)	
Defects risk	The risk that defects are identified following completion of construction	✓ (but passed to contractor executing works)	
Equipment	Responsibility for the selection, procurement and maintenance of equipment	✓	
Fit for purpose (commissioning)	Risk that the North Facility is not constructed so as to be fit for purpose or does not comply with contractual obligations	✓ (but passed to contractor executing works)	
Modification	If the State elects to make a significant variation to the facility	✓	
Commissioning and Completion	Risk that the North Facility cannot be commissioned in accordance with the agreed commissioning criteria	✓	
<b>Change in Law or Policy Risks</b>			
All Changes in Law and Policy, including General, Product, Specific and tax risks	Risk that a change in legislation / regulations, State policy or quality standard or changes in income tax, GST or the introduction of a tax affecting companies generally, will impact on the design or construction or costs of the North Facility	✓	
<b>Force Majeure</b>			
Force Majeure	Risk that specified unforeseen events will impact on the design or construction of the North Facility	✓	
<b>Finance Risk</b>			
Funding risk	Risk of providing funds to meet design and construction costs	✓	

## 2.4 General Obligations of Plenary Health

Plenary Health has contracted with the State to finance, design and construct the Facility and provide related facilities management services in the Facility over a 25-year term. The Project Agreement details the State's minimum design requirements (Output Specification) which Plenary Health must meet in delivering the Facility and the minimum service performance requirements (Services Specification) Plenary Health must achieve throughout the 25-year Operating Term. The full array of Plenary Health's obligations is contained in the Project Agreement and ancillary contracts.

Plenary Health has also been contracted to provide construction management services in relation to the design, construction and commissioning of the North Facility. Grocon and PCL (in joint venture) have



been contracted by Plenary Health to perform Plenary Health’s contractual obligations to the State in relation to the North Facility.

Table 7 further summarises the obligations of Plenary Health over the course of the Project.

*Table 7: Summary of key Plenary Health’s obligations*

Project Element	Description
Design, construction and commissioning	<p>Plenary Health is responsible for the design, construction and commissioning of the Facility to ensure that it is fit for its intended use as a Comprehensive Cancer Centre.</p> <p>Delivery of the Facility includes the design, construction and commissioning of the Links between the Facility and the North Facility, and requirements to integrate the design of the Facility and North Facility to achieve a single, coherent, functional Comprehensive Cancer Centre.</p> <p>Plenary Health is also responsible for the coordination and management of the design, construction and commissioning of the North Facility to ensure an appropriately well managed and efficient delivery process.</p>
Furniture, Fittings and Equipment (FF&E)	<p>Procurement, installation, commissioning and maintenance of all FF&amp;E (other than those items to be procured and maintained by the State). There is a detailed indicative list of required FF&amp;E appended to the Project Agreement. Plenary Health takes the risk that the FF&amp;E provided is adequate and otherwise fit for its intended purpose. The State has some flexibility to comment on the final type and quantity of all FF&amp;E.</p>
Services	<p>Plenary Health is responsible for the delivery of a range of services (Services) across the Facility in accordance with the Services Specification for a period of 25 years from Commercial Acceptance. These services include:</p> <ul style="list-style-type: none"> <li>• building management (reactive/planned as well as lifecycle replacement)</li> <li>• help desk</li> <li>• utilities management</li> <li>• cleaning (non clinical cleaning)</li> <li>• security</li> <li>• linen collection</li> <li>• waste management and disposal</li> <li>• grounds maintenance</li> <li>• pest control</li> <li>• minor works</li> </ul> <p>Plenary Health is responsible for whole-of-life risk associated with the Facility as well as all scheduled and unscheduled maintenance.</p>
Insurances	<p>Plenary Health is required to take out a range of insurances in relation to the Facility during both the design and construction and operating phases of the Project.</p>

Project Element	Description
Transition	Management, coordination and execution of activities (excluding core clinical functions and transfer of existing equipment) to relocate operations from existing sites to the Facility and to train employees in relation to the operation of the Facility.
Finance	Procurement of debt and equity to fund the delivery of the Project.
Handback	Undertake all necessary tasks to ensure that the Facility and Site are returned to the State in accordance with the end of term requirements set out in the Project Agreement.

## 2.5 General Obligations of the State

### Delivery of clinical, research and education functions

The ongoing delivery of all clinical, research and education functions will be undertaken by the State and Building Members.

### Delivery of the North Facility

The State retains funding and delivery risks (funding, design, construction, commissioning, FF&E procurement, transitions, whole-of-life and services) in relation to the North Facility. Funding for the North Facility totals \$93.8 million (nominal).

### Other Project Agreement obligations

Under the Project Agreement, the State's obligations include the following:

- the State must (subject always to the State's access requirements for delivery of its core clinical, research, education and associated functions) provide Plenary Health with the necessary access to allow it to perform its obligations
- the State is required to make quarterly service payments to Plenary Health during the Operating Term subject to the abatement regime that may apply if Services are not delivered to the required standard ( see Section 2.6 (Payment Mechanism and Abatement Regime) for more detail)
- the State may review and comment on design documentation and other material that will be submitted by Plenary Health in accordance with the Project Agreement
- the State must pay for any utilities usage costs
- the State is required to make fee payments to Plenary Health during the design, construction and commissioning phase of the North Facility for provision of construction management services.
- the State is required to make monthly Construction Contribution payments to Plenary Health during the Design and Construction Phase for progressively carrying out the Works as detailed in the Project Agreement (see Capital Contribution below).

### Capital Contribution

For value-for-money reasons and made possible by the Commonwealth funding, the State provides some capital funding (Capitals Contributions) during the Design and Construction Phase of the Project.

The quantum of the State funding represents a relatively small portion of the total required capital funding by Plenary Health, which remains the responsibility of Plenary Health to procure. This arrangement has resulted in no change to the typical PPP risk allocation in the Project Agreement.

Under the Project Agreement, the State makes Construction Contributions totalling \$300 million (nominal) to Plenary Health for progressively carrying out the Works during the Design and Construction Phase of the Project.

The State will make these payments on a monthly basis, based on the actual design and construction of the Works carried out as certified under the Finance Documents. These funds are proportionately injected along with senior debt and equity from Plenary Health and must be used to pay the Builder directly in that monthly period under the Construction Contract between Plenary Health and the Builder.

## 2.6 Payment Mechanism and Abatement Regime

Plenary Health is required to provide the Services as specified in the Services Specification from the date of Commercial Acceptance. Failure to do so exposes Plenary Health to abatement in accordance with the abatement regime set out in the Project Agreement.

Payment for delivery of the Services is made by the State over the 25-year Operating Term in the form of a quarterly service payment (QSP) paid quarterly in arrears. The formula for calculating the QSP is detailed in the Project Agreement. The QSP comprises of the following:

- Service payments made to Plenary Health by the State for the capital cost of delivering the Facility (including up-front financing costs), the cost of delivering the Services, interest rate service payments, and an equity return.
- Additional payments made to Plenary Health by the State to reflect reimbursement for costs associated with the supply of Utilities, Medical Gases, Laboratory Gases and Waste Disposal Services, insurance premiums related to certain insurances, and Minor Works (in accordance with the regime agreed in the Project Agreement).

### Abatement regime

Any failure to provide the Services in accordance with the Services Specification may constitute a 'Service Failure' and result in the abatement of the QSP (in accordance with a pre-determined formula specified in the Project Agreement).

The Project Agreement categorises each service failure as either a:

- **Failure Event** – a service failure that affects one or more specific areas of the Facility. Where certain defined events render the relevant area unavailable for use for its intended function it is deemed to be an 'Availability Failure'; otherwise it is considered to be a 'Incident Failure; or
- **Quality Failure** – a failure to provide the Services that is not referable to a specific area in the Facility.

A Failure Event is categorised depending on the severity of its potential consequences, taking into account the significance of the area affected and how important it is that the area be made available. This in turn will determine the response and rectification time that will apply. The abatement regime also recognises smaller failures that do not render a space unusable, but nevertheless impact on the ability to provide the required services.

Each Quality Failure event is categorised based on the nature, severity and level of priority. Each category specifies an appropriate response time and rectification time which Plenary Health must adhere to (outlined in the Services Specification). Failure by Plenary Health to respond and rectify any Quality Failure may result in abatement.

## **Changes in costs incurred by Plenary Health (Modifications and Changes in Law)**

The State may, at its sole discretion, request Plenary Health to implement modifications (to the Works/Facilities, Services or FF&E it is required to procure) provided the State adequately compensates Plenary Health. This includes an ability to remove Works or Services from the Project scope. Under the modifications regime, Plenary Health 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, milestone payments, or an adjustment to the QSP (where the modification is financed by Plenary Health). To provide greater transparency and certainty around modification costs, the Project Agreement specifies a range of pre-agreed margins and other on-costs Plenary Health can claim in such circumstances.

A regime has also been established that will enable the State to request Plenary Health to perform additional minor works without the need to invoke the modifications regime.

In addition to State-initiated modifications, the State must pay for cost increases arising from certain changes in law and policy above certain dollar thresholds outlined in the Project Agreement.

Plenary Health is entitled to reimbursement for any costs or expenses it incurs caused as a result of the following events:

- breach by the State of any Project Documents
- during the Design and Construction Phase, any act or omission of the State or relevant State-related parties (in their contracting capacities) other than any act or omission which is authorised or permitted under the Project Agreement
- during the Design and Construction Phase, remediation of contamination for which the State is responsible under the Project Agreement.
- during the Operating Term, a malicious, unlawful or reckless act or omission by the State or relevant State-related parties (in their contracting capacities)
- industrial action which directly affects the Project and which Plenary Health can demonstrate is a direct result of an act or omission of the State or a State-related party at the Site other than any act or omission which is authorised or permitted under any Project Document
- suspension of any works or the delivery of the Services required by law or the State because of a native title claim or the discovery of artefacts (following the expiry of the Eligible Claim Period) that is not caused by an act or omission of Plenary Health.

## **2.7 Default, Termination and Step-In Regimes**

### **Default**

A default by Plenary Health under the contractual arrangements will entitle the State to various remedies. Where a default has occurred, the State will in most circumstances be required to give Plenary Health an opportunity to cure the default. If the default is not cured by Plenary Health within the required cure period, it will escalate to a Major Default.

The Project Agreement also elevates a number of events to immediately be classified within the Major Default category (such as when there are persistent breaches or repeated Service Failures).

In respect of Major Defaults, Plenary Health will be given the opportunity to agree a cure plan (if the default is capable of cure) or agree a prevention plan to prevent the default from recurring (in circumstances where the default is not capable of cure). Where Plenary Health fails to cure the Major Default within the required cure period or to comply with an agreed cure or prevention plan (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. They give rise to a State termination right immediately upon their occurrence (e.g. insolvency of Plenary Health or failure to complete the Project by the specified Sunset Date). These events are called Default Termination Events.

### **Step-In**

In addition to termination rights (or potential termination rights), events of Major Default and Default 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 Plenary Health to replace a subcontractor that caused the Major Default or Default Termination Event.

Step-in rights for the State, as specified in the Project Agreement, can be triggered when:

- a default (including, a Default Termination Event) has occurred
- there is an Emergency
- the State is of the view that there is an immediate or potential threat to the health or safety of the Facility staff, patients, the Facility or the Site
- it may be necessary for the State to discharge its statutory duties and powers
- there is damage to or destruction of any of the Works or Facility.

The default related step-in right is subject to any step-in rights the financiers may have. During any step-in associated with a default, the Quarterly Service Payment will be abated to the extent that the Facility is unavailable and the Services are not being provided.

### **Termination**

Where the Project Agreement is terminated before the natural expiry of the intended 25-year Operating Term, Plenary Health may be entitled to a termination payment. The Project Agreement can be terminated as a result of the following:

- certain events of default
- a Force Majeure Termination Event (including an uninsurable event)
- voluntarily by the State.

The basis for the calculation of the termination payment will be determined by the reason for the termination as summarised in Table 8.

Table 8: Termination Options

Event	Trigger	Termination Payments
Default Termination Event	The State may terminate the Project Agreement if certain events of default have occurred and not been remediated in accordance with the Project Agreement	The Facility's fair market value determined by tendering or an independent valuer. An independent valuer must be used in certain circumstances including where there is no liquid market.
Voluntary Termination	The State may at any time, for reasons of its own choosing, unilaterally elect to terminate the Project Agreement for convenience	The outstanding debt as at termination date plus the fair market value of the equity as assessed by the independent expert together with other reasonable costs.
Termination for Force Majeure	The occurrence of a Force Majeure Termination Event (including an uninsurable event for which the State does not act as the insurer of last resort)	The debt as at the termination date plus other agreed costs. In limited circumstances, part of equity may also be compensated.

## 2.8 Finance

Apart from the Construction Contribution, Plenary Health 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 the majority of the equity funding being contributed in the last year of construction.

The debt facility is for an initial period of ten years. It is assumed that debt will then be refinanced at regular intervals over the remainder of the Project term. The State will not share in any refinancing losses but will be entitled to 50 per cent of the benefit of any refinancing gain, after allowing Plenary Health to recoup any prior refinancing losses.

Plenary Health has retained the risk in relation to any market disruption events under the Project's financing with its debt providers.

## 2.9 Fitness for Purpose

The Project Agreement contains a fitness for purpose test for the Facility.

## 2.10 State Rights at Expiry of Contract

The Project Agreement requires Plenary Health to hand back the Facility to the State at the expiry of the Operating Term for nil consideration and in a condition that meets the requirements of the Project Agreement. The State will then resume full control of the Facility.

To ensure that the assets are in sound working order, the Facility 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 Facility will meet the relevant handback conditions. The handback conditions are described in the Project Agreement. The Project Agreement requires that at handback, the Facility would continue to meet the Services Specification for 5 years without any major

maintenance or refurbishment works (other than routine maintenance) and the Equipment would meet such standards for the period set out in the Asset Management Plan.

In the event that Plenary Health fails to maintain the Facility to the standard required to satisfy the handback requirements, the State will be entitled to withhold a portion of the QSP to cover the expense of any shortfall.

## 2.11 Current Version

This document may be updated from time to time. Please check the *Partnerships Victoria* website at [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au) for the current edition.

# Glossary

Terms used in this Project Summary have the meaning given to them in the Project Agreement unless otherwise defined in this Glossary or elsewhere in this document.

Term	Meaning
CPI	Consumer price index
Construction Contribution	Has the meaning given to that term in Section 2.5 (General Obligations of the State)
Default Termination Events	Has the meaning given to that term in Section 2.7 (Default, Termination and Step-in-Regimes))
DH	Department of Health
FF&E	Furniture, fittings and equipment
North Facility	Has the meaning given to that term in Section 1.1 (Victorian Comprehensive Cancer Centre)
PPP	Public-Private Partnership
Project	Victorian Comprehensive Cancer Centre Project
Project Agreement	The <i>Partnerships Victoria</i> Victorian Comprehensive Cancer Centre Project Agreement entered into between Plenary Health and the State dated 7 December 2012 and as amended and reinstated on 12 December 2012.
Project Co	The private party entity that entered in the Project Agreement and is responsible for delivering the Project (in this instance, Plenary Health).
PSC	The Public Sector Comparator for the Project, being the risk-adjusted cost of the most likely efficient form of public sector service delivery that could be employed to satisfy all elements of the output specification.
QSP	Has the meaning given to that term in Section 2.6 (Payment Mechanism and Abatement Regime).
Request for Proposal (RFP)	The document so entitled issued to those parties shortlisted during the Expression of Interest (EOI) phase of the Project and which identified the State's requirements for the Project including design principles/philosophy, space requirements, architectural specifications, technical specifications, service specifications and required furniture, fixtures and equipment.
Services	Has the meaning given to that term in Section 2.4 (General Obligations of Plenary Health) and as otherwise detailed in the Project Agreement.



# Appendix 1 Useful references

Project documentation, including the Project Agreement, is available at: [www.contracts.vic.gov.au](http://www.contracts.vic.gov.au)

*Partnerships Victoria* policy guidance and Project information at: [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au)

The Department of Health website at: [www.health.vic.gov.au](http://www.health.vic.gov.au)

The Project website at: [www.vcccproject.vic.gov.au](http://www.vcccproject.vic.gov.au)

# Appendix 2 Key contact details

Department of Health

Website: [www.health.vic.gov.au](http://www.health.vic.gov.au)

50 Lonsdale Street  
Melbourne Vic 3000

Phone: (03) 9096 1311

*Partnerships Victoria*

Website: [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au)

Department of Treasury and Finance  
1 Treasury Place  
East Melbourne Vic 3002

Phone: (03) 9651 5111

# Appendix 3 RFP Evaluation Criteria

The State evaluated each Proposal against the following Evaluation Criteria.

## Criterion A - Interface Management

The State evaluated the following criteria:

- **Project Co Management** - the State evaluated the resourcing, staffing structure and experience of Project Co personnel
- **Partnership approach** - the State evaluated the extent to which it is evident that the Respondent has fully understood the importance of the interface between the State and Project Co. Specifically, the demonstration and commitment to a partnership approach
- **Intra-consortium relationships** - the State evaluated the proposed intra-consortium relationship management framework and approach
- **Stakeholder Management and Communications Approach** - the State evaluated the appropriateness of the proposed stakeholder management and communications approach.

## Criterion B - Commercial

The State evaluated the following criteria:

- **Commercial Solution** - the commercial solution including the intra-consortium commercial relationships and financial strength of Project Co, the Builder, the Facility Management Subcontractor, and other key subcontractors (as appropriate)
- **Commercial Departures** - the nature and extent of the proposed departures from the draft Contractual Documents.

## Criterion C - Financial

The State evaluated the following criteria:

- **Funding Structure** - the appropriateness, competitiveness and flexibility of the funding structure
- **Certainty of Funding** - the certainty of funding
- **Financial Assumptions** - the robustness of the financial assumptions.

## Criterion D - Commercial Opportunities

The State evaluated the appropriateness and value-for-money of the proposed Commercial Opportunities.

## Criterion E - Risk Adjusted Cost

The State evaluated the whole-of-life, risk-adjusted cost of the Proposals by taking into account the financial and risk consequences of the each proposal.

## Criterion F - Master Plan and Architectural Design

The State evaluated the following criteria:

- **Master Plan** - the Master Plan of the Combined Site
- **Architectural Form** - the external architectural form of the proposed design of the Combined Facility

- **Landscape** – the appropriateness of the quality and layout of the external spaces within the Combined Facility, broader RMH City campus and Parkville Precinct

#### **Criterion G – Functional and Operational Design**

The State evaluated the following criteria:

- **Functionality and Operational Efficiency** – the functionality and operational efficiency of the proposed design
- **Interior Design** – the appropriateness and quality of the proposed interior design
- **Whole-of-life design** – the contribution of the proposed design towards an efficient whole-of-life cost for the Combined Facility
- **Engineering services** – the appropriateness and quality of the engineering and building infrastructure services
- **Flexibility and expansion capability** – the flexibility and expansion capability of the proposed design
- **Accreditation Requirements** – the extent to which the proposed design meets Accreditation Requirements
- **Collaboration requirements** – the extent to which the proposed design facilitates and enhances the potential for research, clinical and educational collaboration in the Combined Facility
- **Ecologically Sustainable Development** – how and the extent to which the Respondent has met the ESD requirements
- **Innovation** – the extent to which the proposed design demonstrates innovation
- **Commercial Opportunities** – the design aspects proposed for any Commercial Opportunities
- **Planning Framework** – the extent to which Proposals consider and respond to the planning framework
- **Departures** – the extent to which the Proposals depart from the requirements of the Output Specification.

#### **Criterion H - Project Management**

The State evaluated the following criteria:

- **Design Development Process** – the Respondent’s approach to the Design Development Process, including the coordination and management of user groups and the design team
- **Master Works Program** – the Respondent’s proposed timelines and program
- **Construction Management** – the construction methodology and management processes
- **Impact on Business Continuity** – the proposed methodologies and approached to complying with the business interruption requirements and minimising any impact on the ongoing operation of the Existing RMH, the North Site, the RMH City Campus and other surrounding businesses within the Parkville Precinct.
- **Completion** - the appropriateness of the Respondent’s proposed Completion methodology.

#### **Criterion I - Services**

The State evaluated the following criteria:

- **General requirements** - the Respondent’s understanding of, and the proposed strategy to comply with the General Requirements

- **Management of the service delivery** - the proposed management/staffing structure and solution for Services delivery
- **Service-specific solutions** - the service-specific solutions including proposed procedures, flexibility and certainty of quality of Services delivery
- **Lifecycle replacement** - the Respondent's approach to carrying out the life cycle maintenance while minimising the impact on the delivery of the Functions
- **Accreditation Requirements** - the extent to which the proposed service delivery meets Accreditation Requirements.

**Criterion J - Furniture, Fittings & Equipment**

The State evaluated the process for furniture, fittings and equipment selection and the appropriateness and quality of the selected furniture, fittings and other Equipment.

**Criterion K - Commitment to Victorian Industry Participation Policy (VIPP)**

The State evaluated the Respondent's VIPP commitments as detailed in the submitted VIPP Plan.

# Appendix 4 Public Interest Issues

The *Partnerships Victoria* Guidelines require that the public interest be considered from the early stages of the options appraisal and reviewed at key stages of the procurement stage through to the approval to enter into the Project Agreement.

As part of the finalisation of the tendering process the public interest test has been reviewed to ensure that the Project continues to comply. This review of the Project against the following eight elements of public interest:

- effectiveness
- accountability and transparency
- affected individual and communities
- equity
- consumer rights
- public access
- security
- privacy

Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011		
Element	Standard	Assessment
<p><b>Effectiveness</b> Is the Project effective in meeting government objectives?</p>	<p>1. Output/service delivery requirements for the Project are captured in the Project Objectives as set out in the Strategic Alignment section of the Business Case. The Project objectives align with all relevant government policies and, in particular, the following key policies:</p>	<p>The Victorian Comprehensive Cancer Centre Project (the Project) is consistent with a number of State Government objectives and polices, including those specifically related to the provision of health services.</p> <p>The extent to which the Project meets or otherwise supports the achievement of relevant government objectives and policies is outlined below.</p>

Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011

Element	Standard	Assessment
	<p>Victorian Health Plan. Victoria's plan for a healthier future.</p>	<p>A key relevant State Government policy is <i>Victorian Health Plan</i>. The Health Plan sets the direction for the health system, and for the Department of Health.</p> <p>The Project supports this policy objective by to contribute to the achievements of government health priorities, improve every Victoria's health Status and health experience and expanding services, workforce and system capacity by:</p> <ul style="list-style-type: none"> <li>▪ develop new world class facilities to support ongoing quality care</li> <li>▪ co-locate hospitals, providing improved access to services: access to non-oncological medical and surgical specialties, 24-hour emergency department and full scale intensive care unit for Peter Mac patients, and access to radiotherapy for RMH and RWH patients</li> <li>▪ develop integrated service models, in alignment with the Western and Central Melbourne Integrated Cancer Service</li> <li>▪ provide educational programs for health professionals for the whole Victorian cancer service system</li> <li>▪ support the faster introduction of new treatments for cancer</li> <li>▪ support improved health outcomes through accelerated translation of research into clinical practice.</li> </ul> <p>The VCCC will provide high quality education and training for lifelong learning by:</p> <ul style="list-style-type: none"> <li>▪ providing education and training for health professionals across the state in cancer and translational research skills</li> <li>▪ supporting education in key specialist occupations of the future: clinician researchers, clinical trial nurses, data managers, biotechnology industry staff</li> <li>▪ supporting education and training for new roles in the oncology workforce</li> <li>▪ providing one of Victoria's major centres for skills development in health and bioscience supported by the employment in Information Communications and Technology.</li> </ul>
	<p>Victoria's Cancer Action Plan 2008-2011</p>	<p>The Victorian Government has set a challenging goal to increase the five-year cancer survival rate by 10 per cent by 2015. Meeting this goal requires strategic investment in world-class, innovative treatments and technologies, sustainable care systems and improved cancer service capacity. The Project will asisit in meeting this target by</p> <ul style="list-style-type: none"> <li>▪ providing enhanced training to the cancer workforce</li> <li>▪ develop training and service linkages with regional and rural clinicians to</li> </ul>

**Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011**

Element	Standard	Assessment
		<p>increase support for remote specialists and increase uptake of clinical trials</p> <ul style="list-style-type: none"> <li>▪ lead and support a number of statewide cancer programs, especially in rare and complex cancers</li> <li>▪ significantly enhance the capacity of translational cancer research in Victoria</li> <li>▪ be a leader in the development of best-practices in cancer care throughout the state, and support the implementation of these across the Victorian cancer care sector.</li> </ul>
	<p><i>Victoria’s Technology Plan for the Future – Biotechnology</i></p>	<p>Victoria’s Technology Plan for the Future will contribute to improvements in health, wellbeing and quality of life for all Victorians and help to advance solutions to major health challenges. The VCCC Project will assist to meet this target by:</p> <ul style="list-style-type: none"> <li>▪ attract increased investment in biosciences and biomedical research, bringing with it increased employment opportunities for Victorians and increased private investment into Victoria</li> <li>▪ build on Victoria’s identified strength in cancer research to create a cancer centre which is among the top ten in the world</li> <li>▪ create a critical mass of cancer researchers in the VCCC Facility to attract key talent and drive research discovery and innovation</li> <li>▪ support the development of new treatments for cancer in Victoria</li> <li>▪ maintain Victoria’s competitive advantage for clinical trials business.</li> <li>▪ attract and retain the best talent in biomedical research, education and health care delivery</li> <li>▪ foster adaptability and innovation</li> <li>▪ provide increased translational research capacity.</li> </ul>
<p><b>Accountability and transparency</b> Do the partnership arrangements ensure that:</p> <ul style="list-style-type: none"> <li>▪ the community can be well-informed</li> </ul>	<p>The project is to fully comply with all Victorian Government accountability and transparency policies and obligations and DH’s annual reporting obligations.</p> <ul style="list-style-type: none"> <li>▶ The Statement of Priorities continue to be the principal mechanism used by</li> </ul>	<p>DH obligations to the community are defined through legislation and government policy. The Project will support compliance with these obligations.</p> <p>The community will be well informed about the obligations of both the Victorian Government and any private sector partners through several mechanisms. The Project Agreement and relevant associated Project documents will, subject to commercial-in-confidence considerations, be published in accordance with the Victorian Government policies identified in the corresponding column, with only limited exceptions from</p>



**Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011**

Element	Standard	Assessment
<p>about the obligations of government and the private sector partner</p> <ul style="list-style-type: none"> <li>▪ these can be overlooked by the Auditor-General?</li> </ul>	<p>DH to document and monitor the use of public funds</p> <ul style="list-style-type: none"> <li>▶ Freedom of Information Act 1982</li> <li>▶ Victorian Government Purchasing Board Probity Policy</li> <li>▶ Best Practice Probity Advice Guidelines</li> <li>▶ Auditor General Victoria</li> </ul> <p>The monitoring role of the Health Services Commissioner in relation to DHS and the project partner’s obligations and performance standards</p> <p>All project documentation is to be fully accessible to the Auditor-General and made public in accordance with Victorian Government policy, including, the <i>Partnerships Victoria</i> Public Disclosure Policy (March 2007).</p>	<p>disclosure guided by the criteria of the Freedom of Information Act 1982. Further, information on the Project’s annual performance will be available in DH Annual Reports.</p> <p>The Stakeholder Management and Communication Plan has been developed, which will also ensure local communities are provided with an adequate level of transparency of key components of the Project. There will be ongoing consultation with affected communities and relevant user groups.</p> <p>The Freedom of Information Act will apply to the Project. The Project will be fully accessible to the Auditor-General.</p> <p>The probity of process has been overseen by an independent probity adviser.</p>
<p><b>Affected individuals and communities</b></p> <p>Have those affected been able to contribute effectively at the planning stages, and are their rights protected through fair appeals processes and other conflict resolution mechanisms?</p>	<ul style="list-style-type: none"> <li>▶ The Victorian government is committed to open an effective community engagement</li> <li>▶ Standards may include: <ul style="list-style-type: none"> <li>▶ an appropriate public consultation process in relation to the development and the preferred option</li> </ul> </li> <li>▪ local government planning requirements</li> </ul>	<p>A number of key stakeholders who are potentially affected by the project have been listed in Section 4 of this report</p> <p>A high-level Communications Framework is developed to maximise awareness and support for the project</p> <p>A complete analysis of stake holder consultation is included in Section 4.</p> <p>The Project required all Respondents to submit a Victorian Industry Participation Policy (VIPP) Plan that was assessed and used in accordance with the updated 2008 VIPP policy. The VIPP Plan ensures that the Project adequately addresses issues relating to local industry employment and capability.</p>
<p><b>Equity</b></p> <p>Are there adequate arrangements to</p>	<ul style="list-style-type: none"> <li>▶ The project will be governed by: <ul style="list-style-type: none"> <li>▶ Equal Opportunities Act 1995</li> <li>▶ Racial Discrimination Act 1975</li> <li>▶ Sex Discrimination Act 1974</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Physical constraints of the infrastructure design – by its very nature the design of the hospital will accommodate people with special needs in terms of physical access and also special facilities</li> <li>▶ Provides new/additional services and facilities and therefore improves upon the existing level of equity</li> </ul>

**Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011**

Element	Standard	Assessment
<p>ensure that disadvantaged groups can effectively use the infrastructure or access the related service?</p>		<ul style="list-style-type: none"> <li>▶ As the project progresses specific public rights may be accommodated through contractual specification.</li> </ul>
<p><b>Public Access</b></p> <p>Are there safeguards that ensure ongoing public access to essential infrastructure?</p>	<ul style="list-style-type: none"> <li>▶ Appropriate contractual arrangements in place</li> <li>▶ The operator of the hospital will ensure there are adequate safe guards in place to ensure ongoing public access to the VCCC facility</li> </ul>	<ul style="list-style-type: none"> <li>▶ The VCCC collaborative will be the public operator of the VCCC and provider of core services therefore there will be no detrimental change to current levels of public access for example:                             <ul style="list-style-type: none"> <li>• public hospital services</li> <li>• access to the VCCC and its services</li> </ul> </li> <li>▶ The VCCC will service directly Victorian patients and families but also provides services to interstate and international patients as required</li> <li>▶ Special needs groups</li> <li>▶ Central geographic site</li> <li>▶ Contract provisions include adequate safeguards to ensure the continued supply of services to the public. The contract would include step-in rights and other similar provisions that would ensure the state was responsible for the continued operation of this essential infrastructure</li> </ul>
<p><b>Consumer rights</b></p> <p>Does the project provide sufficient safeguards for service recipients, particularly those for whom government has a high level of duty of care, and/or the most vulnerable?</p>	<ul style="list-style-type: none"> <li>▶ Government’s non-delegable duties in relation to health services provision to all members of the community</li> <li>▶ Public Hospital Patient Charter</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Public Hospital Patient Charter outlines the rights and responsibilities of patients while attending a public hospital in Victoria. It aims to support a partnership between patients and their health care providers by providing a clear statement of expectations that is understood by both patients and providers</li> <li>▶ Role of the Health Services Commissioner</li> <li>▶ The project will provide sufficient safeguards for service recipients by:                             <ul style="list-style-type: none"> <li>• core services continuing to be provided directly by the public sector</li> <li>• appointment of competent service provider for the non-core services</li> <li>• inclusion of performance standards required of the service provider</li> <li>• state step-in rights</li> <li>• compliance with any relevant Health Acts will be included during the drafting of the Contract</li> </ul> </li> <li>▶ Public information available on hospitals published on the DHS website - about the public hospital system and reports on individual hospital performance for:</li> </ul>

**Victorian Comprehensive Cancer Centre Project - Public Interest Test – Contractual Close 7 December 2011**

Element	Standard	Assessment
		<ul style="list-style-type: none"> <li>• elective surgery</li> <li>• emergency departments</li> <li>• patients treated</li> <li>• the information is arranged under the government’s four goals:                             <ul style="list-style-type: none"> <li>○ treating people quickly – reducing time to treatment</li> <li>○ improving communication – a better patient experience</li> <li>○ preventing illness – reducing avoidable hospital admissions</li> <li>○ investing in health professionals.</li> </ul> </li> </ul>
<p><b>Security</b></p> <p>Does the project provide assurance that community health and safety will be secured?</p>	<ul style="list-style-type: none"> <li>▶ State’s duty of care to the public</li> <li>▶ Relevant laws and regulations covering OH&amp;S requirements for VCCC personnel</li> <li>▶ Minimum performance requirements consistent with existing Peter Mac and MH obligations and contracts will be required</li> </ul>	<ul style="list-style-type: none"> <li>▶ No change from current procedures</li> <li>▶ The project will comply with health and safety legislation</li> <li>▶ The contract will include performance standards required of the service provider.</li> </ul>
<p><b>Privacy</b></p> <p>Does the project provide adequate protection of users’ rights to privacy?</p>	<ul style="list-style-type: none"> <li>▶ Freedom of information Act 1982</li> <li>▶ Information Privacy Act 2000</li> <li>▶ Health Records Act 2002</li> <li>▶ Federal Privacy Act 1982.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The project can provide adequate protection of user’s rights to privacy through:                             <ul style="list-style-type: none"> <li>• contractual obligations in relation to disclosure and use of confidential information</li> <li>• core services being provided directly by the public sector, limiting the amount of sensitive information disclosed to contractors or sub-contractors.</li> </ul> </li> </ul>

