

The Investment Decision

In Australia, the decision as to whether government should invest in a project (the investment decision) is separated from the decision as to how the project should be delivered (the procurement decision).

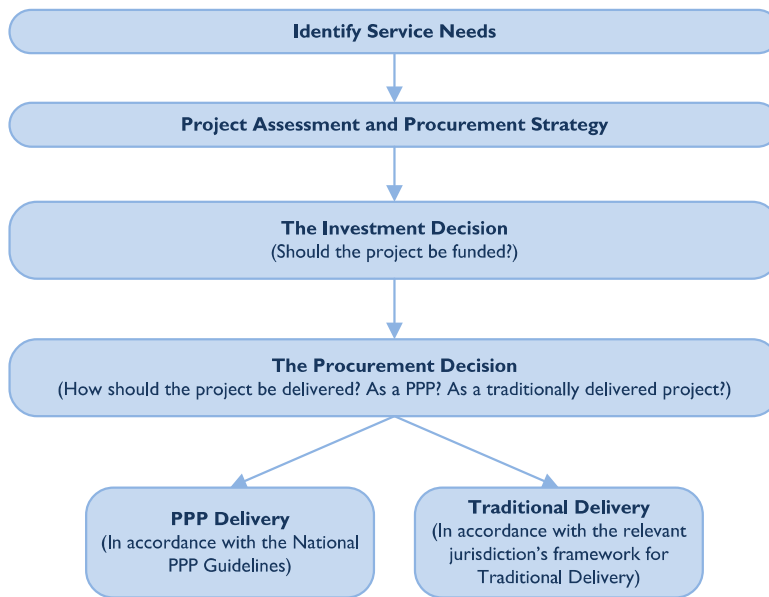


Figure 1: The Investment Decision and the Procurement Decision (Click figure to enlarge).

Source: Foster Infrastructure.

The investment decision in user pays projects

It is sometimes thought that a project undertaken on a “user pays” basis does not need to be subject to the same scrutiny as a project paid for with government budget funding. This is not the case – a “user pays” project must still be considered in the context of government’s overall infrastructure programme. Any interface issues must be considered – for example, the impact of a user pays toll road on the surrounding road network. Government contributions (such as land), contingent liabilities (such as payments required on contract termination) and potential benefits must also be considered.