PUBLIC-PRIVATE PARTNERSHIPS:
THE CASE STUDY OF THE COLOMBO PORT CITY

MASTER OF SCIENCE
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PUBLIC-PRIVATE PARTNERSHIPS:

THE CASE STUDY OF THE COLOMBO PORT CITY

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This thesis was submitted to the Department of Civil Engineering of the University of Moratuwa in partial fulfilment of the requirements for the Degree of Master of Science.

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December 2016
Declaration

I declare that this is my own work and that this thesis does not incorporate without acknowledgement any material previously submitted for a Degree or Diploma in any other University or institute of higher learning, and to the best of my knowledge and belief it does not contain any material previously published or written by another person except where the acknowledgement is made in the text.

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Abstract

Public Private Partnerships (PPPs) are defined as “…a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards”. It is noted that not all PPP projects are successful. This has resulted in a number of studies focused on identifying critical success factors in order to maximize advantages and reduce risks for all parties involved in the project.

The Colombo Port City Project (CPCP) is widely regarded as the largest and most ambitious Sri Lankan PPP and Foreign Direct Investment (FDI) undertaking to date and is a collaborative project between the Government of Sri Lanka (GOSL) and the China Harbour Engineering Corporation (CHEC) Port City Colombo (Pvt) Ltd. The project faced early setbacks and controversy due to alleged mishandling of key processes. This study provides an in depth analysis of the CPCP which provides valuable insights on the nature of PPP projects in the Sri Lankan context. This in turn helped establish the factors to be considered for the successful implementation of future PPP projects in Sri Lanka and other developing nations.

Information was gathered from the review of various types of literature, key informant interviews and a questionnaire survey. Attempts were made to contact a wide range of respondents with various levels of involvement in the project in order to obtain a holistic view of the project and its issues. The Summary Cost Benefit Analysis (CBA) was reviewed and the separation of the CBA based on GOSL and CHEC perspectives indicated that the GOSL receives a lower Net Present Value (NPV) and Internal Rate of Return (IRR) compared to the Summary CBA, while the CHEC receives a negative NPV. This indicates that the Chinese backed CHEC’s motives for the project are likely to be strategic, long term economic and political benefits.

The findings revealed that fewer than 66.7% (2/3rd) of the population support the CPCP due to environmental, social and political concerns. Fewer than 66.7% (2/3rd) of the population believe that the CPCP is a PPP, although there is agreement of the presence of some PPP characteristics in the CPCP. The analysis of major issues indicated that although the media primarily reported on environmental issues, political and governance issues too were considered very important.
The ranking of Critical Success Factors (CSFs) indicated that there is a considerable difference between the ranking of CSFs in the Sri Lankan context and in other countries such as Australia and the UK. The Sri Lankan study reveals that overall, respondents placed greater importance on non-economic CSFs relating to governance and politics in comparison to rankings by other countries in previous studies. However, the ranking of CSFs based on the perspective of supporters of the CPCP preferred to assign greater importance to economic CSFs, indicating that their support is based on the perceived economic benefits of the project. In contrast, those who oppose the project ranked political and governance issues much higher than most economic CSFs indicating that their opposition is based on concerns over political and governance issues. The general percentage agreement between the two groups was very low at only 34.4%. However, the ranking of ‘a favourable legal framework’ and ‘conducting in-depth studies for a through and sufficient EIA’ were ranked in the top 5 by all parties, while ‘the ability of regulatory authorities to act independently’ and ‘consideration of demands placed by the project on existing infrastructure were ranked in the top 2 spots overall."
Acknowledgements

I would like to express my immense gratitude to my thesis supervisor, Prof. Malik Ranasinghe for his invaluable guidance during the planning and undertaking of this research work. I am thankful for the opportunity to enrich this work with his wealth of knowledge and experience.

I also wish to express my great appreciation towards the numerous respondents who took time off from their busy schedules to provide lengthy interviews, and especially to those who granted access to official documentation and information.

I also extend my thanks all the academic staff, non-academic staff and fellow research students at the university who have assisted me in resolving numerous academic and administrative matters.

Last, but certainly not least, my heartfelt gratitude is extended to my parents and brother for their unwavering encouragement and support throughout my studies, especially to my mother who uncomplainingly sacrificed her time and energy to assist me whenever I required it.
Table of Contents

List of Tables ................................................................................................................ viii
List of Figures ................................................................................................................ ix
List of Abbreviations ..................................................................................................... x

1.0 Introduction .............................................................................................................. 1
  1.1 Background ............................................................................................................ 1
  1.2 Research Problem ................................................................................................. 2
  1.3 Research Aim and Objectives ............................................................................. 3
  1.4 Research Scope ..................................................................................................... 3
  1.5 Main Findings ....................................................................................................... 4
  1.6 Structure of the Thesis ......................................................................................... 5

2.0 Literature Review ................................................................................................... 6
  2.1 Introduction ............................................................................................................ 6
  2.2 Characteristics of PPP .......................................................................................... 7
  2.3 Types of Public Private Partnerships .................................................................... 9
  2.4 Reasons for adopting Public Private Partnerships ............................................... 12
  2.5 Success Factors for PPP ....................................................................................... 14
    2.5.1 Political Factors .............................................................................................. 16
    2.5.2 Legal Factors .................................................................................................. 19
    2.5.3 Governance Factors ....................................................................................... 19
    2.5.4 Economic Factors .......................................................................................... 21
    2.5.5 Environmental Factors .................................................................................. 23
  2.6 Utilization of Public Private Partnerships ............................................................ 24
    2.6.1 Official information for Public Private Partnerships ..................................... 24
    2.6.2 Application of Public Private Partnerships in various countries ................. 25
  2.7 Summary ............................................................................................................... 29

3.0 Colombo Port City Project: The case study ......................................................... 31
  3.1 General .................................................................................................................. 31
  3.2 Background of Project Information on the CPCP ............................................. 31
  3.3 Key events of the Colombo Port City Project ..................................................... 33
  3.4 The proposal for the Colombo Port City Project .............................................. 34
  3.5 The benefits of the Colombo Port City Project .................................................. 37
  3.6 Issues of the Colombo Port City Project ............................................................. 39
6.0: Data Analysis, Results and Discussion ................................................................. 102
  6.1 Introduction .............................................................................................................. 102
  6.2 Results of the Questionnaire Survey .................................................................... 102
  6.3 Support for the Port City ....................................................................................... 105
  6.4 Is the Colombo Port City project a Public Private Partnership? .................. 108
  6.5 Major issues of the Colombo Port City .............................................................. 112
    6.5.1 General Environmental Issues ....................................................................... 115
    6.5.2 Demographic of CPCP and impact on socio-culture ................................... 118
  6.6 Critical Success Factors for the Colombo Port City project ......................... 118
  6.7 Summary ............................................................................................................... 126

7.0: Conclusions ............................................................................................................ 128
  7.1 Summary of the Study .......................................................................................... 128
  7.2 Main Findings ........................................................................................................ 129
  7.3 Limitations: .......................................................................................................... 132
  7.4 Recommendations ............................................................................................... 133

References ................................................................................................................... 134

APPENDIX 1: Colombo Port City Issues as per Interviews Conducted Before
Formulation of the Pilot Questionnaire........................................................................ 144
APPENDIX 2: Final Questionnaire ............................................................................... 147
APPENDIX 3: Scale Point Responses for Success Factors in the Final Questionnaire
................................................................................................................................. 157
List of Tables

Table 2.1 Types of PPP 9
Table 2.2 PPP Schemes and Modalities 10
Table 2.3 Classification of PPP co-operation 11
Table 2.4 Summary of CSFs identified and listed in reviewed literature. 17
Table 2.5 Summary of PPP handbooks and guidelines 24
Table 4.1 Classification of Research Types 56
Table 4.2 Classification of Research Methods 57
Table 4.3 Classification of Mixed Method Approach 57
Table 4.4 Classification of Research Design 58
Table 4.5 Data Collection Tools 59
Table 4.7 Structure of Pilot Questionnaire 62
Table 4.8 Feedback on Pilot Questionnaire 63
Table 4.9 Critical Success Factors as represented in literature 65
Table 4.10 Ranking of Top 5 success factors identified in previous research 66
Table 4.11 Structure of Final Questionnaire 66
Table 5.1 Rationale behind values for costs and benefits 75
Table 5.2 Explanations for key errors/obscure entries in the ECBA and resulting actions taken by the researcher 78
Table 5.3 Descriptions for Extended Cost Benefit Analysis 78
Table 5.4 Rationale for Costs and Benefits included in the CHEC ECBA 83
Table 5.5 Summary of CHEC ECBA 84
Table 5.6 Rationale for Costs and Benefits included in the GOSL ECBA 89
Table 5.7 Rates used for calculating loss of income to government 91
Table 5.8 Summary of GOSL ECBA at 6.5% discount rate 94
Table 6.1 2x2 table for Chi Square Test 106
Table 6.2 Summary of PPP characteristics in the CPCP 110
Table 6.3 Percentage responses to statements made in relation to major issues of CPCP as reported in the media 114
Table 6.4 Success Factors with overall ranks 120
Table 6.5 Success factors with rank (supporters’ perspective) 121
Table 6.6 Success factors with rank (opponents’ perspective) 122
List of Figures

Figure 2.1 Types of PPP 9
Figure 2.2 Five factor groups and the relevant CSFs 15
Figure 3.1 Land use plan for the Port City 36
Figure 4.1 Research Framework 55
Figure 4.2 Significance Index 72
Figure 5.1 Replicated ECBA discounted at 6.5% 79
Figure 5.2 CHEC ECBA discounted at 6.5% 85
Figure 5.3 GOSL ECBA discounted at 6.5% 95
Figure 6.1 Categories and corresponding number of respondents 103
Figure 6.2 Information sources 104
Figure 6.3 Percentage reliability of information sources 104
Figure 6.4 Distribution of the SI for ranked success factors 119
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AG</td>
<td>Attorney General</td>
</tr>
<tr>
<td>Aus</td>
<td>Australia</td>
</tr>
<tr>
<td>Avg</td>
<td>Average</td>
</tr>
<tr>
<td>BII</td>
<td>Bureau of Infrastructure Investments</td>
</tr>
<tr>
<td>BOI</td>
<td>Board of Investments</td>
</tr>
<tr>
<td>BOOT</td>
<td>Build Own Operate Transfer</td>
</tr>
<tr>
<td>BOT</td>
<td>Build Operate Transfer</td>
</tr>
<tr>
<td>CBA</td>
<td>Cost Benefit Analysis</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>CCCC</td>
<td>China Communications Construction Co</td>
</tr>
<tr>
<td>CCD</td>
<td>Coast Conservation &amp; Coastal Resources Management Department</td>
</tr>
<tr>
<td>CDC</td>
<td>Commonwealth Development Corporation</td>
</tr>
<tr>
<td>CEA</td>
<td>Central Environmental Authority</td>
</tr>
<tr>
<td>CHEC</td>
<td>China Harbour Engineering Corporation</td>
</tr>
<tr>
<td>CMC</td>
<td>Colombo Municipal Council</td>
</tr>
<tr>
<td>CMR</td>
<td>Colombo Metropolitan Region</td>
</tr>
<tr>
<td>CPC</td>
<td>Colombo Port City</td>
</tr>
<tr>
<td>CPCP</td>
<td>Colombo Port City Project</td>
</tr>
<tr>
<td>CSF</td>
<td>Critical Success Factor</td>
</tr>
<tr>
<td>CSP</td>
<td>Colombo South Port</td>
</tr>
<tr>
<td>DBF</td>
<td>Design Build Finance</td>
</tr>
<tr>
<td>DBFO</td>
<td>Design-Build-Finance-Operate</td>
</tr>
<tr>
<td>ECBA</td>
<td>Extended Cost Benefit Analysis</td>
</tr>
<tr>
<td>ECT</td>
<td>East Container Terminal</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>EMP</td>
<td>Environmental Management Plan</td>
</tr>
<tr>
<td>EPC</td>
<td>Engineering, Procurement, Construction</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GOSL</td>
<td>Government of Sri Lanka</td>
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<tr>
<td>GSMB</td>
<td>Geological Survey and Mines Bureau</td>
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HK : Hong Kong
IEE : Initial Environmental Examination
IFC : International Finance Corporation
IMF : International Monetary Fund
IRR : Internal Rate of Return
IT : Information Technology
LHI : Lanka Hydraulics Institute
Max : Maximum
Min : Minimum
MOU : Memorandum of Understanding
MPPA : Marine Pollution Protection Authority
NARA : National Aquatic Resources Research and Development Agency
NBT : Nation Building Tax
NHO : National Hydrographic Office
NPV : Net Present Value
PA : Percentage Agreement
PAA : Project Approving Agency
PC : Project Company
PD : Percentage Disagreement
PFI : Private Finance Initiative
PLC : Public Limited Company
PPP : Public Private Partnership
RAF : Rank Agreement Factor
RFP : Request For Proposal
SAGT : South Asia Gateway Terminals
SCARC : Standing Cabinet Appointed Review Committee
SEIA : Supplementary Environmental Impact Assessment
SI : Stakeholder Involvement
SLLRDC : Sri Lanka Land Reclamation & Development Corporation
SLPA : Sri Lanka Ports Authority
SPV : Special Purpose Vehicle
SSFs : Sub Success Factors
TEC : Technical Evaluation Committee
TOR : Terms of Reference
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>UDA</td>
<td>Urban Development Authority</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UoM</td>
<td>University of Moratuwa</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>VFM</td>
<td>Value For Money</td>
</tr>
<tr>
<td>XDR</td>
<td>External Data Representation</td>
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