

EVALUATION OF MAJOR INVESTMENTS

Approved: 
Chief Executive Officer

Date: 15/2/08

Considered by August 2007 AFRM Committee

PURPOSE:

To outline the approach PCQ will take in evaluating projects.

POLICY FRAMEWORK:

The Statement of Corporate Intent states that "all capital expenditure proposals in excess of \$5 million will be submitted to Shareholding Ministers for approval".

PCQ is required to adhere to the requirements of the Treasury issued "Investment Guidelines for Government Owned Corporations".

The SCI further states that "PCQ will approve or recommend projects in accordance with the Government Owned Corporations- Cost of Capital Principles – February 2006 provided by Queensland Treasury".

APPLICATION:

This policy applies to all PCQ projects that involve the balancing of a capital outlay against a financial rate of return.

POLICY:

Economic evaluation will be performed on most projects and will be performed for all projects exceeding \$500,000, in accordance with the Government's Project Evaluation Guidelines. All capital works projects or group of related projects exceeding \$5 million will be submitted to Shareholding Ministers for approval.

In seeking Shareholding Ministers' approval for capital works projects or groups of related capital works projects in excess of \$5 million, the Board will provide sufficient information for Shareholding Ministers to thoroughly consider the proposal and make an informed decision as to whether or not they are prepared to support the project and the necessary capital expenditure. Borrowing approval requirements will also be specifically addressed.

In addition, for projects above the threshold, PCQ will not commence partial or full construction, award tenders or sign contracts (Heads of Agreement) unless it specifically states that the project is subject to the approval of Shareholding Ministers.

Given the long lead times related to major constructions, PCQ may undertake some design work prior to approval of the overall project. Should the design phase expenses exceed \$5 million, separate Shareholding Minister's approval will be sought prior to commencement.

It is noted that notification to Shareholding Ministers of any project over \$2 Million is required (per the Treasury "Investment Guidelines for GOC's"). Shareholding Ministers should be advised of any project likely to be over this threshold.

The relationship between project evaluation and strategic planning must be maintained so as to ensure goal congruence and organisational consistency. Each project should be consistent with the organisational objectives and priorities and should be defined in terms of the organisation's future goals and objectives.

Format of Board Submissions

The format of Board submissions for major investments should comprise sections including:

- Alignment with corporate objectives
- Financial evaluation (eg cashflows, IRR, funding source including borrowing requirements and accounting impact)
- Key risks facing the project
- Counterparty risk
- Environmental and community impact
- Stakeholder consultation
- Suitability for Public Private Partnerships

5 – 10 year Profit and Loss and Balance Sheet and Cashflow Projections would normally be attached.

Borrowing approval needs to be specifically addressed.

RELATED POLICIES:

May trigger consideration of other PCQ policies eg Risk Management, General Insurance, Provision of Port Facilities etc.

REVIEW DATE:

This policy will be reviewed by June 2009.

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