



## Press Release

### PROGRESSIVES STATEMENT ON AUDITOR GENERAL'S REPORT ON REGEN

August 1, 2024

We note that the Auditor General's December 2021 report on Project ReGen is being circulated. We welcome the opportunity to see it and to make comment.

**In substance, there are two major criticisms** that lead the AG to question the project's value for money.

First, the AG's report highlights that the benefits of Project ReGen were not properly stated and quantified in a way that allowed a comprehensive value for money judgement to be made. Benefits need to be expressed in a SMART form in formal documentation in order for value for money to be properly assessed.

**The benefits of ReGen were, and are, clear.** The project would have increased recycling and composting and would have delivered a modern waste-to-energy plant. In so doing, the country's landfill requirement would have fallen by about 95%. The George Town landfill could have been capped and remediated with the ongoing need to landfill bottom ash being undertaken in a properly managed way. The environmental and public health risks associated with the landfill would have been significantly reduced.

**These benefits were constantly repeated** in all the information made public about the project because that was a key part of the communication strategy.



However, it is clear that these benefits were not properly quantified in the paperwork that was required for the project. We accept the AG's recommendation that such deficiencies in process need to be corrected in future decision-making process.

Secondly, the AG argues that the Public Private Partnership (PPP) route selected for the procurement may have unnecessarily increased the cost of the project.

The AG traces the choice to go down the PPP route to an 'erroneous' belief that PPP did not count as borrowing. **Here we must say that we believe there is some misunderstanding on the AG's part.** It is the case that the then Progressives-led government saw PPP as more attractive from a political standpoint as we had ruled out increasing traditional financing debt as a valid political choice. **However, it was always understood that, in accounting terms, the PPP would need to be treated as borrowing.**

The AG goes on to say that even given the political constraint on traditional debt financing, the situation was changing due to the Progressives' success in bringing government finances into line and the financing strategy could have been re-evaluated.

**What the AG's report fails to say is that the Outline Business Case (OBC) specifically acknowledged the potential to do precisely that.** Appendix B of the OBC notes that 'with the country's improving fiscal situation, the CIG may be willing to consider some debt funding.'

**We therefore did keep the financing of the project under review and as the AG's report notes we were actively considering a capital injection to reduce the financing costs of the project.** The AG notes that there was no firm agreement to that from the contractor but that was one of the items for negotiation as part of the move to financial close.



Moreover, this strategy for a CIG financial injection was maintained by the PACT government. Their own current Strategic Policy Statement included the intention to establish a sinking fund to help finance the cost of the project. The Progressives welcomed that provision at the time as consistent with our own financing strategy for ReGen.

**In any case, the OBC report makes clear that the decision to go down the PPP route was not determined by any view on government borrowing but because the report demonstrated that PPP delivered better value for money than the public sector comparator. That conclusion was subject to sensitivity analysis within the report.**

This gets to the most important issue raised in the AG's report. The report suggests that some of the assumptions in the financial model used to calculate the value for money of the alternative routes were not reasonable. The problem was compounded because a final business case was not prepared that could have retested the assumptions. The purpose of the final business case is precisely to reassess the assumptions underlying the procurement in the light of new information that has emerged.

**To be clear, updated information was routinely provided through the procurement process and Ministers made decisions to change approach as new information came to light.** Such changes include the capital injection already mentioned, accepting the revised size of the energy recovery plant, and reducing the scope of the contract to cut costs.

However, the extent to which the detailed financial modelling assumptions were revisited needs to be clarified. There are significant issues of proper process that the Public Accounts Committee will need to probe in detail whenever it meets to consider the report.



**The AG's report is helpful in shedding light on the initial phases of the procurement process, and it is right that we now subject the process to scrutiny.**

**The last three years of mishandling and delay of the project must be subject to the same scrutiny.**

As the AG's report states several times, it was apparent even in December 2021 that the failure of PACT to meet the deadline for financial close created 'significant risk' of escalating costs. We too warned of that at the time and events have proven those warnings were correct.

On Friday last we sent the press a statement that included a list of the ten most significant questions that the government must answer about the failure of the Regen procurement and what their plan for the future now is. (Attached)

**Alongside the scrutiny of the AG's report, Ministers must answer those questions as a matter of urgency.**

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