



# Private – Public Partnership for Infrastructure Development

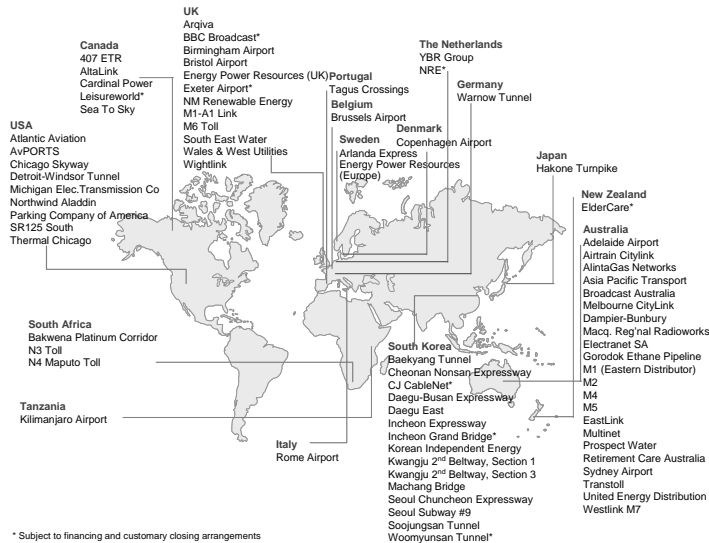
Nicholas Moore  
Head of Investment Banking Group  
Macquarie Bank

6 September 2005



## Macquarie

78 assets, 16 countries - global positioning, local asset management



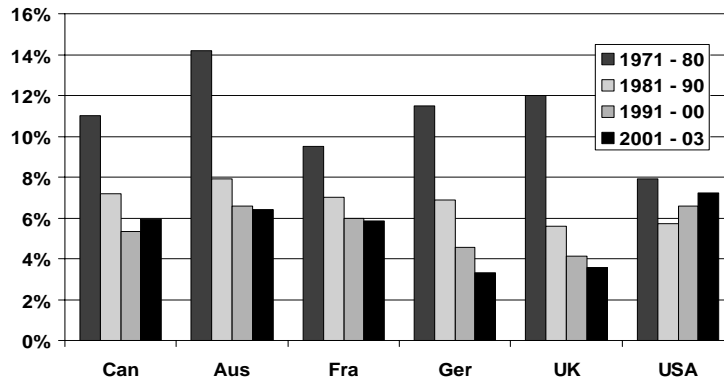


## A need has developed for the private provision of infrastructure



- Budgetary pressures have led to a general decline in public sector investment over last 30 years, creating opportunities for private investment

**Public Sector Investment as % Total Govt Expenditure**



Source: OECD

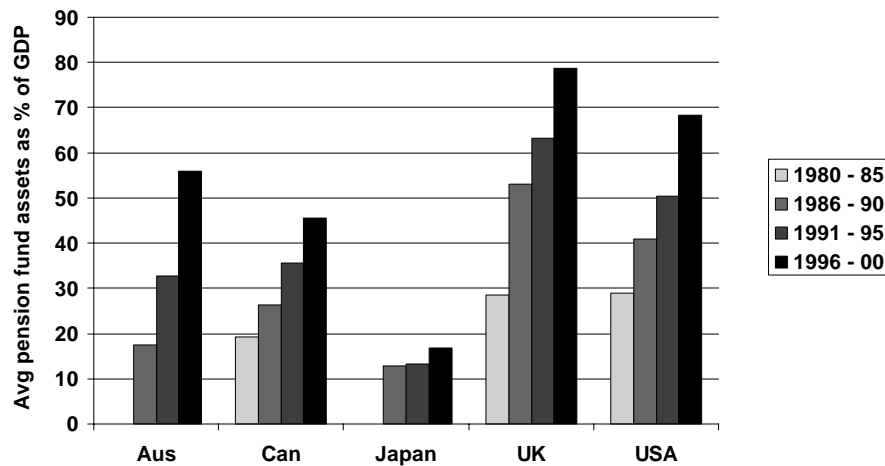
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## Pool of capital growing



- Average pension fund assets as % of GDP growing globally



Source: OECD

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# Pool of capital growing (cont)



- Institutions beginning to increase their allocations to infrastructure
  - In Australia, previously allocations of between 3-5 %
  - Now trending towards 7-10% and, in some cases towards 20%
  
- Growing base of infrastructure investors globally
  - Traditional players (dedicated funds, construction groups, etc)
  - Pension funds
  - Private equity
  - Retail

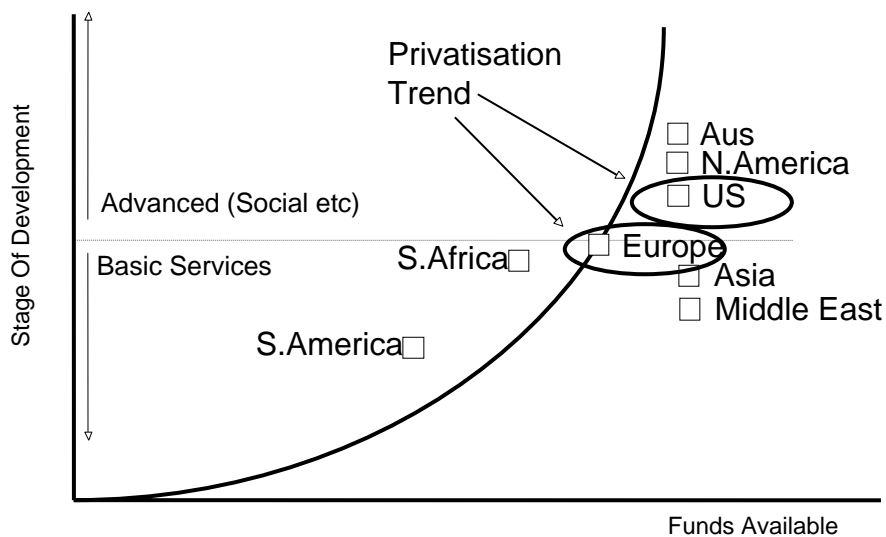
	Australia	Europe	United States	Canada
Funds Under Management	US\$630bn	US\$2,650bn	US\$19,520bn	US\$808bn
Property Allocation	10%	6%	4%	10%
Infrastructure Allocation	4%	<1%	negligible	2%

Source: Macquarie

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# Global infrastructure market snapshot



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## Community concern about the natural role of government



### Globally, when it comes to infrastructure delivery, the community has concerns

*"The bottom line here is the State of New Jersey... is going to run the road as well as it can for the good of the people who use that road. If that road is now in the hands of a private corporation, that private corporation is going to run that road as best it can to make its own profit..."*

*There is no alternative to the New Jersey Turnpike. They could let it go to rack and ruin - that's the only road...*

*... I've got to tell you as a daily user of the New Jersey Turn Pike this strikes me as a really bad idea".*



Mark Haines, Host Anchor  
CNBC Squawk box , 1/2/05

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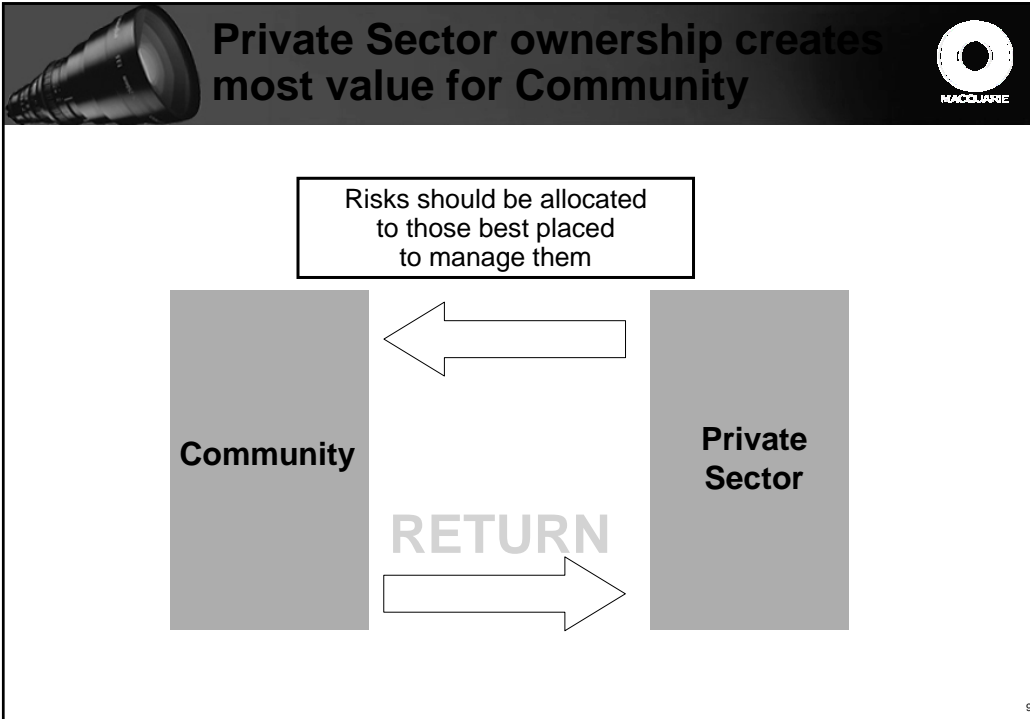


## Community concerns are not homogeneous



- Costs more
- Lower quality of services
- Interrupted service in distress
- Environment
- Jobs
- NIMBY
- BUT CAN BE ADDRESSED

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## The Community has choices

Delivery method	Asset ownership	Operating risk	Residual value risk	Examples	Community safeguard
<b>Government Provision</b>				<ul style="list-style-type: none"> <li>Libraries</li> <li>Community Centres</li> </ul>	
<b>Public Private Partnership</b>				<ul style="list-style-type: none"> <li>Courts</li> <li>Special purpose accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Specific concession               <ul style="list-style-type: none"> <li>Setting not service</li> </ul> </li> </ul>
<b>BOOT</b>				<ul style="list-style-type: none"> <li>Toll Roads</li> <li>Water and waste water assets</li> <li>Prisons and hospitals</li> <li>Sporting facilities</li> </ul>	<ul style="list-style-type: none"> <li>Clear concession               <ul style="list-style-type: none"> <li>Limited term</li> <li>Fixed price</li> <li>Limited rights</li> </ul> </li> </ul>
<b>Privatisation</b>				<ul style="list-style-type: none"> <li>Energy assets</li> <li>Airports</li> <li>Ports</li> </ul>	<ul style="list-style-type: none"> <li>Regulation</li> </ul>

Government  
 Private Sector

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## Conclusion



### Responsible capital only

- Constraint is community concerns of private ownership of essential assets
- Community acceptance of parties, asset and services decided by more than simple price criteria
  - Certainty – quality, safety, reliability
  - Commitment to the asset
  - Commitment to the region
- Local capital preferred
  - Reduces political risk
  - Alignment of interests
  - Investment commitment



**Demonstrable value for money**  
**Cost and Quality of Service**