

# CEDA Infrastructure Series Part 1

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# The Opportunity

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- Delivering essential infrastructure to Australian government as a Public Private Partnership (PPP)
- Strong government support for infrastructure as it is seen as promoting job creation – alleviating some of the impact of the global financial crisis
- Strong pipeline of projects coming to market across most Australian jurisdictions - A\$18Bn in the next two years

## Strong Track Record

- The major construction companies have a strong record for PPP delivery across all sectors (road, hospital, education).
- Allen Consulting and University of Melbourne research published November 2007 shows PPPs on average are delivered 3.4% ahead of schedule, compared to traditionally procured projects which are on average 23.4% late.
- These results are driven by:
  - Fixed time and price contracts monitored managed by both private and public sector;
  - Detailed due diligence and review undertaken by bidding consortia;
  - Degree of design specification and pricing inputs used during the bid phase.

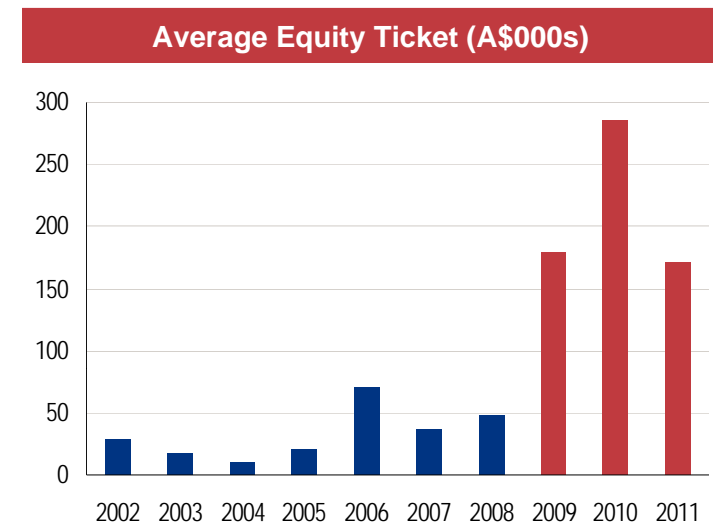
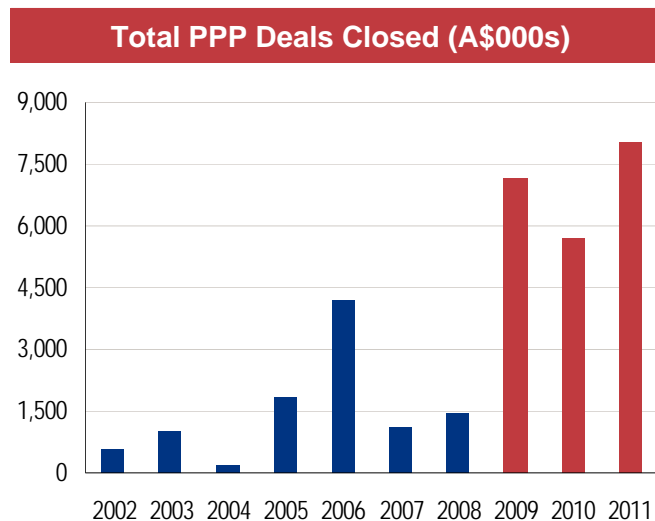
# PPP Pipeline

Australian PPP Pipeline			A\$ Millions		
	Jurisdiction	Sector	Estimated Debt Required	Estimated Equity Required	Total Deal Size
<b>Deals in progress</b>					
Royal Adelaide Hospital	SA	Health	1,700	300	2,000
Peninsula Link	VIC	Road (Availability)	750	150	900
Sydney Metro	NSW	Rail (availability)	2,500	500	3,000
Victorian Desalination Plant	VIC	Water	3,000	500	3,500
Single LEAP II	C-wealth	Defence	800	150	950
<b>2009/10 Deals</b>					
Darwin Prison	NT	Corrections	300	50	350
Parkville Comprehensive Cancer Centre	VIC	Health	1,000	200	1,200
Gold Coast Rapid Transit	QLD	Transport	800	150	950
Northern Link	QLD	Road (availability)	1,800	400	2,200
Princess Margaret Children's Hospital	WA	Health	800	150	950
<b>Casualties of GFC</b>					
SA Prisons	SA	Corrections	800	200	1,000
Sunshine Coast	QLD	Health	900	250	1,150

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## The Australian PPP Market

- Total PPP deals have been increasing year on year, a trend expected to continue.
- Average equity tickets have increase in line with deal volumes, with Government's embarking on larger projects through the PPP procurement method.
- Historically, the larger PPPs have been Economic Infrastructure projects (i.e. with patronage / volume risk), but now shifting to Social Infrastructure projects (health, water, availability roads).



## Australian government budget deficits and net debt

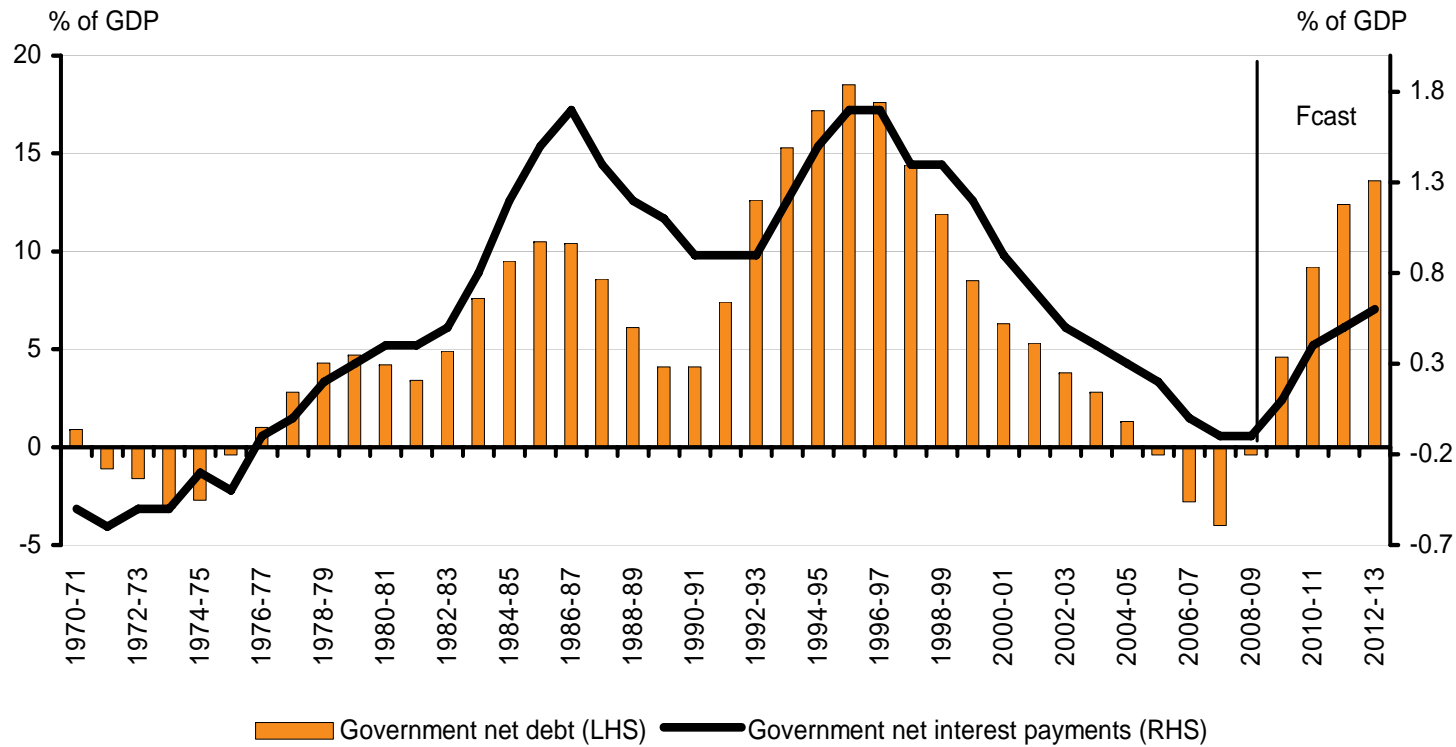
### Australian government budget deficits and net debt

	2009/10F budget deficit (A\$bn)	2009/10F budget deficit (% of GDP)	General government net debt (A\$bn)		Change
			2009F	20013F	(%)
Commonwealth Government	-57.6	-4.9	-4.7	188.2	n/a
New South Wales Government	-1.0	n/a	8.1	15.8	+95
Western Australian Government	+0.4	n/a	7.0	19.1	+173
Victorian Government	+0.1	n/a	2.6	16.0	+515
Queensland Government	-2.0	n/a	-17.8	5.9	n/a
South Australian Government	-0.3	n/a	0.7	3.1	+342
Tasmanian Government	-0.6	n/a	-1.0	-0.2	+80
ACT Government	-0.3	n/a	0.3	0.7	+133
Northern Territory Government	0.0	n/a	1.0	1.4	+40
<b>Aggregate deficit 2009/10 (A\$bn)</b>	<b>-61.4</b>	<b>n/a</b>	<b>-3.8</b>	<b>250.0</b>	<b>n/a</b>

Source: Government websites and budget papers, RBS estimates

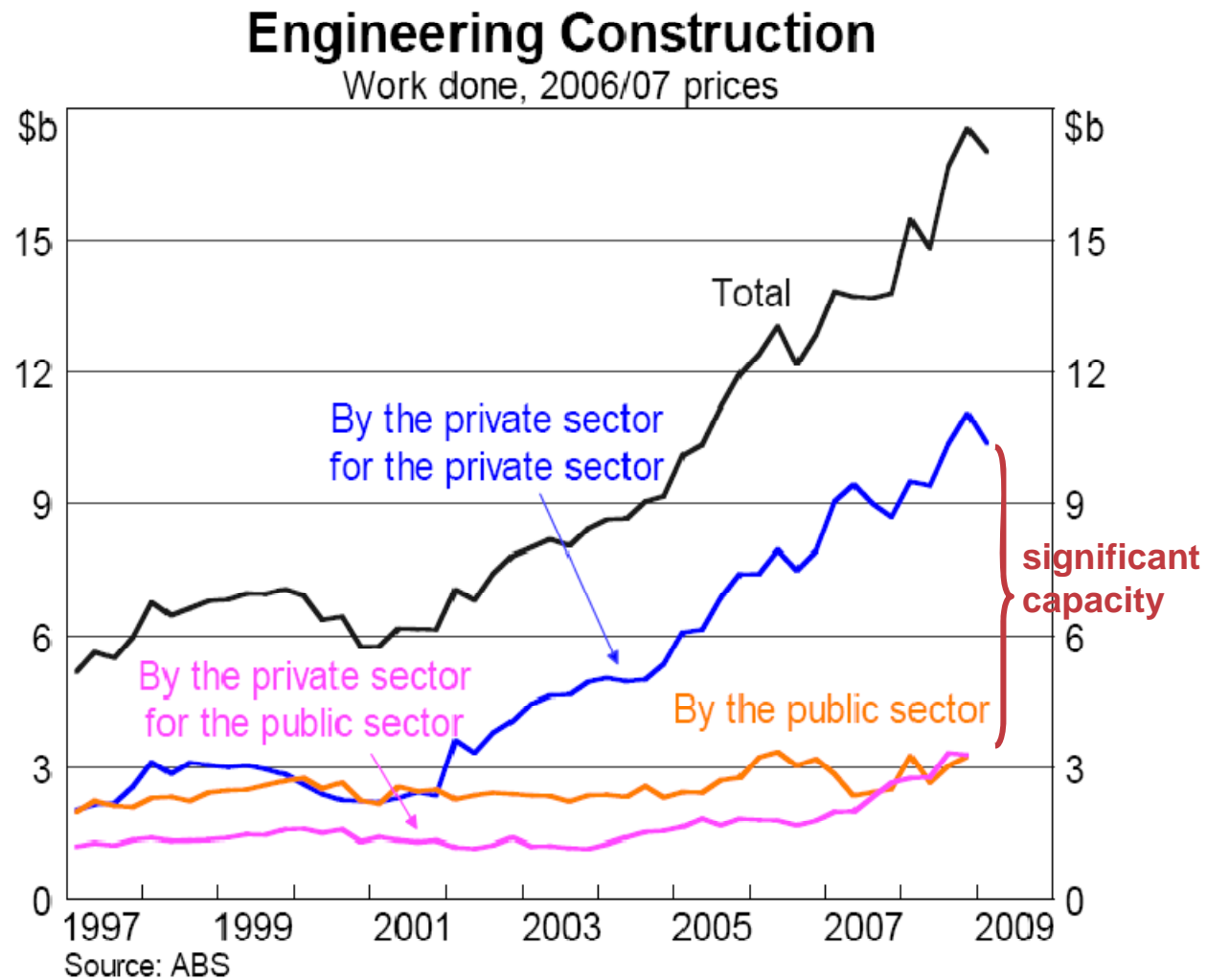
# Commonwealth Government net debt

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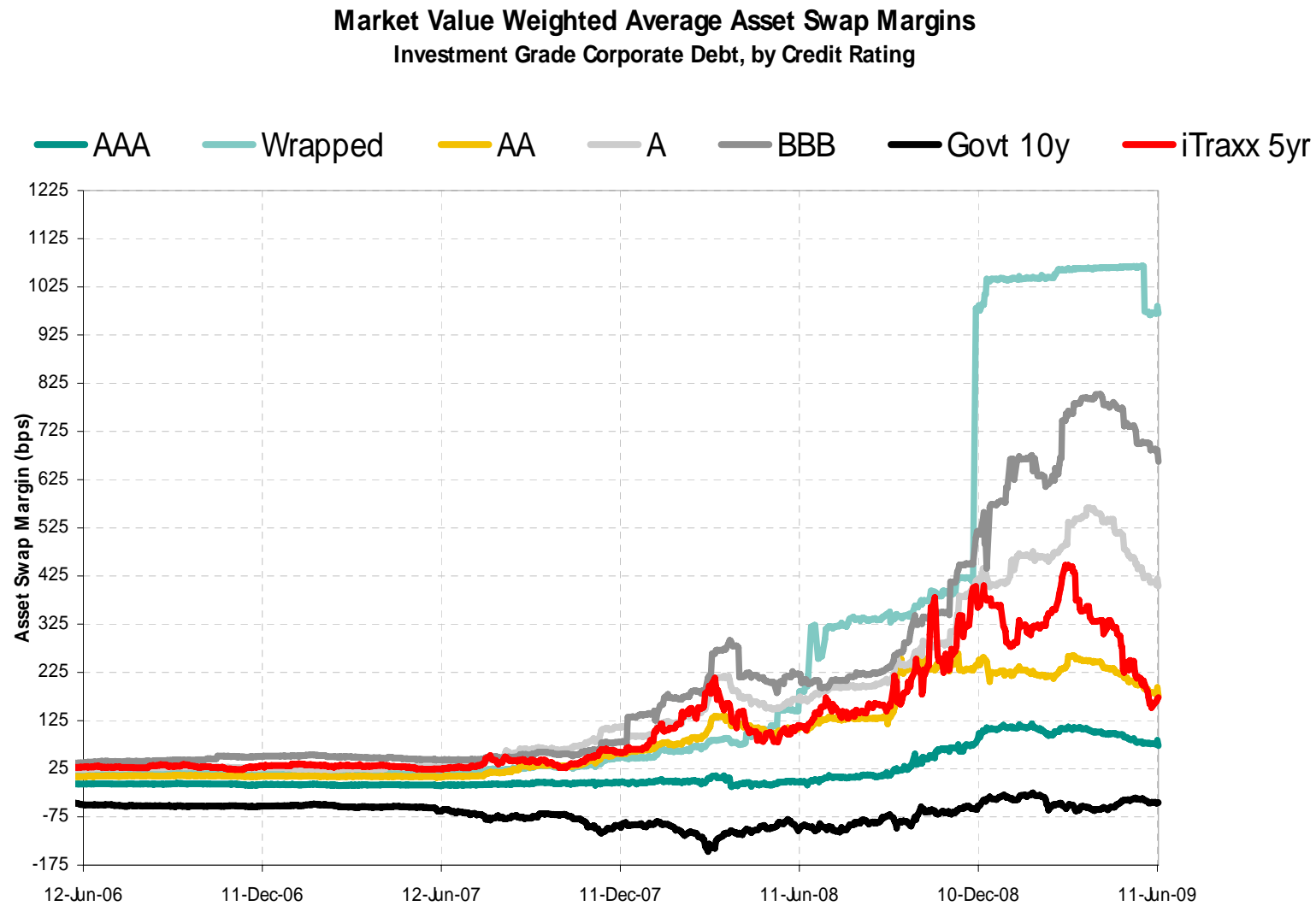


Source: RBS, 2009/10 Federal Budget Overview

## Capacity is available



## Signs of a thaw in debt markets





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# The Challenge

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- Stimulus package driver for the quick spend
- Can this be done without eroding efficiency and productivity gains
- Procurement process improvement as important as ever
- Debt is not the issue (it never has been)
- Legacy for future generations:
  - Will the social & economic outcomes for future generation outweigh the debt burden?