Partnerships 2014

INFRASTRUCTURE & INVESTMENT CONFERENCE

INFRASTRUCTURE PARTNERSHIPS AUSTRALIA

BUILDING AUSTRALIA TOGETHER

CONTENTS

CHAIRMAN'S MESSAGE

Partnerships will bring together public sector project leaders spanning the largest infrastructure projects across the country

I am delighted to welcome you and other senior colleagues to *Partnerships* 2014.

Partnerships is Australia's most respected infrastructure policy forum, providing the annual platform for senior colleagues to challenge Australia's current approach to infrastructure and fiscal policy; with these contributions delivered in the presence of leaders from Australia's public and private sectors.

Today's programme has been carefully constructed to address infrastructure through the lens of a number of important policy themes.

Our first theme will see Australia's Deputy Prime Minister, the Hon Warren Truss MP, open proceedings and provide his views on the national benefit of infrastructure policy reform and accelerated project delivery.

The Deputy Prime Minister's reflections on the national infrastructure requirement will be supported by keynote remarks from The Hon Mark Birrell and Peter Harris AO, who respectively chair *Infrastructure Australia* and the Productivity Commission.

Our second theme will consider the efficiency of infrastructure markets, and the ongoing requirement for efficient pricing and utilisation. I am very pleased that AGL Chairman Jeremy Maycock and IPART Chairman Dr Peter Boxall AO have accepted our invitation to share their respective views on the complex reforms which lie ahead.

Furthermore, we are pleased that *Partnerships* will bring together public sector project leaders spanning the largest infrastructure projects across the country.

It is also very pleasing that today's proceedings will again feature a highly-respected international speaker, Virginia's Secretary of Transportation, Aubrey Layne.

Secretary Layne's strong credentials stand out in the United States because of his commitment to driving efficient and modern procurement across Virginia's transport infrastructure projects.

The programme's final theme will provide a human context to the reform options canvassed across the day, with leaders from the community and welfare sectors sharing their thoughts and observations on the benefits and impacts posed by major policy reform.

As a sector, we should be very pleased that infrastructure now commands a deep and consistent focus from political, policy, business and community sector leaders; and like you, I look forward to sharing in today's proceedings.

Faithfully,

Adrian Kloeden
Chairman

David Webster Deputy Secretary, Commercial, Victorian Department of Treasury and Finance

VICTORIA IS SEEKING INNOVATIVE IDEAS AND SOLUTIONS TO DELIVER PROJECTS AND SERVICES

In February 2014 the Victorian Government released its Unsolicited Proposal Guideline welcoming unique and innovative proposals from the private sector to deliver new projects or services to the State.

The new guideline is designed to complement existing procurement processes. It is being used by the State to engage with the private sector, to encourage proposals facilitating delivery of major projects or government services. This approach leverages private sector experience and expertise by creating a clear path for proposals.

The guideline provides a transparent and consistent process for:

- Private sector parties to directly approach Government seeking support and approval to deliver new projects or services; or
- Government to directly approach private sector parties to deliver a specific project.

It provides certainty, following a clear five stage assessment, from receipt of a proposal, through its assessment, and if unique, into a negotiation and contract award. This is designed to encourage the private sector to bring forward their unique and innovative ideas and solutions. The process also provides the Victorian Government the opportunity to address individual project requirements while driving the best value outcomes for the benefit of Victorians.

The Unsolicited Proposals Guideline brings Victoria into line with other Australian states and the practices of many countries around the world.

Since the introduction of the guideline, a number of unsolicited proposals have been received and we are pleased that two proposals have successfully moved through to final negotiations:

- The Cranbourne – Pakenham Rail Corridor project is under negotiation with a consortium sponsored by MTR, John Holland Construction and UGL Rail Services; and
- The CityLink Tulla Widening project is under negotiation with Transurban.

Private sector parties wishing to submit an unsolicited proposal should provide key information about the proposal to the Deputy Secretary, Commercial in the Department of Treasury and Finance.

Further Information is available at www.dtf.vic.gov.au

State Government Victoria AUSTRALIA

For more information please contact:

David Webster, Deputy Secretary, Commercial
Victorian Department of Treasury and Finance
Level 5 / 1 Treasury Place, Melbourne VIC 3002
unsolicitedproposals@dtf.vic.gov.au

David Wickstrom Associate, Macquarie Capital
Jim Miller Head of Infrastructure, Utilities & Renewables ANZ, Macquarie Capital

WINNING PUBLIC SUPPORT FOR THE INFRASTRUCTURE STORY

Private investment in infrastructure has a long and successful history in Australia. Yet today's policy makers face a familiar challenge: winning the public's support for the infrastructure investment story.

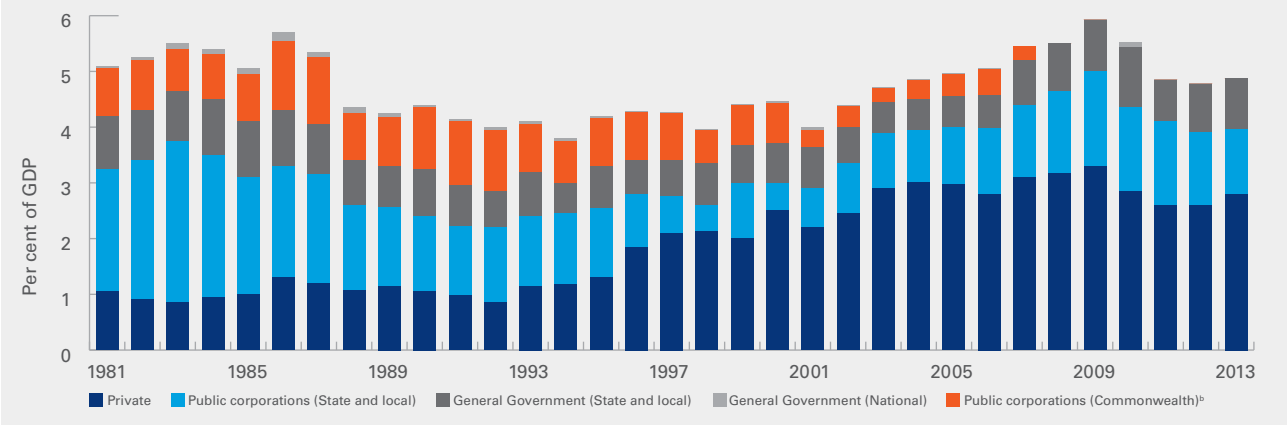
Over the past 30 years, private investment as a proportion of investment in infrastructure has increased from approximately 20 per cent to more than 50 per cent. This increase in investment comes on the back of a wave of privatisations that began amid heavy public scrutiny in the 1990s in the electricity, gas, transport, and telecommunications sectors and accounted for approximately $60 billion in transactions. The electricity privatisations in Victoria from 1992-1997 alone were worth $22 billion[1]. Despite concerns that privatisation would lead to higher electricity network prices for consumers in that state, the long-term average annual electricity network prices from 1996 to 2013 have decreased 18 per cent in Victoria, while under government-owned networks in New South Wales and Queensland prices have increased 122 per cent and 140 per cent respectively.[2]

Power prices are not an isolated example of the benefits of economic liberalisation and Australia is not alone among OECD countries in pursuing microeconomic reform. However, while a publicly owned Qantas, Telstra, or Commonwealth Bank might now seem foreign to the Australian public, they remain cautious about privately owned infrastructure. This is a sentiment that governments need to understand and address when it comes to selling the infrastructure story. The public has repeatedly shown that it holds contradictory views: on the one hand, an aversion to increasing debt levels to buy infrastructure; while on the other, concern that selling assets to pay down debt or shore up budgets may be short-sighted.

Successfully winning the public's support for the infrastructure story requires a nuanced approach based on well-developed policy and ongoing and transparent communication with the public. The Queensland Government's innovative 'Strong Choices' campaign provides one model for engaging the public on issues of policy. This online campaign allowed voters to decide how they would reduce the state's deficit. Strong choices included raising taxes, reducing services, or selling select public assets to raise funds. 46 per cent of those who signed on preferred to sell assets, 28 per cent preferred to raise taxes, and 18 per cent preferred a reduction in services, while 8 per cent had no strong preference. As a result of the campaign, the Queensland Government has improved public awareness of the difficult decisions before them and bolstered support for asset sales.

Nevertheless, privatisations and market refinements are rarely consensus issues. In order to change the status quo, governments must connect private investment in infrastructure to tangible benefits for voters.

Figure 1: Sources of Infrastructure Investment in Australia[a]



Source: ABS (2013)

a. Includes gross fixed capital formation for transport, communication, electricity, gas, water and waste. Investment in education and health infrastructure is not included, as it is not possible to distinguish between infrastructure and non-infrastructure investment in those sectors. Public corporations include government trading enterprises. b. Data are not available for 2008-13.

1 Reserve Bank of Australia Bulletin, December 1999
2 Ernst and Young, "Electricity Network Services, Long-term Trends in Prices and Costs," 2014

MACQUARIE

For more information please contact:

David Wickstrom, Associate, Macquarie Capital
david.wickstrom@macquarie.com |Tel: +61 2 8232 0151

Jim Miller, Head of Infrastructure, Utilities & Renewables,
Australia and New Zealand, Macquarie Capital
jim.miller@macquarie.com |Tel: +61 3 9635 9104

The New South Wales Government's proposed 2015/2016 lease of its electricity transmission and distribution businesses provides a particularly relevant example of the challenge of making this connection. A March 2014 Fairfax/Neilsen poll revealed that 74 per cent are opposed to the lease, including 67 per cent of coalition voters. In order to build support, policy makers are attempting to align perceived long-term costs with long-term economic benefits through a plan to recycle capital from the lease proceeds into specific economy-stimulating infrastructure projects, such as a second harbour rail crossing and an accelerated and expanded WestConnex motorway. The same Fairfax/Neilson poll noted that when voters were asked whether they supported the lease if the proceeds were spent on infrastructure, 47 per cent approved and 45 per cent were against. The 29 percentage point drop in opposition is encouraging for the government's strategy to connect private involvement in infrastructure to tangible benefits for voters. However, as the government progresses with this strategy it will be critical that the merits of each project are demonstrated on a standalone basis or the spending promises risk being politicised.

As is the case with the NSW electricity network sale, engaging the public in a transparent and credible manner is critical to engendering a broad base of support for any major infrastructure announcement.

Macquarie's expertise and ability to deliver value-for-money infrastructure solutions to governments on high profile projects has been demonstrated by a number of significant engagements across the region. In particular, Macquarie recently acted as financial adviser to the NSW Treasury and Roads and Maritime Services on the approximately $11.5 billion WestConnex motorway project in Sydney. With limited public funding available, Macquarie worked with the state to develop a financing strategy which maximises private funding for the project and ensures that NSW taxpayers receive a market return on their initial $1.8 billion equity investment, both key aspects in garnering support for the project. The strategy leverages toll revenue and state and Federal funding by recycling capital from one stage of the project to the next through a series of concessions.

Macquarie also acted as scoping adviser and Joint Lead Manager on the partial IPO of New Zealand Government owned electric utility Mighty River Power. The transaction represented the first New Zealand Government privatisation in 14 years, and also the first transaction in the government's 'Mixed Ownership Model' (MOM) programme of selling holdings in a number of state-owned enterprises and investing the proceeds in capital projects to help grow the economy and improve public services. Through the scoping phase of the project, Macquarie provided expert structuring and financial advice required for the government to move ahead confidently with the highly politicised privatisation. As Joint Lead Manager, Macquarie was able to achieve the New Zealand Government's ownership and valuation targets and help pave the way for future MOM privatisations.

In order for private investment in infrastructure to continue to grow, the role of experienced partners will be increasingly important as governments look for a steady hand to guide them through complex transactions and help deliver the full benefits of the private sector.

John Fitzgerald Interim Infrastructure Co-ordinator, Infrastructure Australia

ENSURING NEW INFRASTRUCTURE IS CONSTRUCTED FOR THE RIGHT REASONS AT THE RIGHT TIME

It is an extraordinarily exciting and challenging time in the infrastructure space in Australia. The historic shortfall in infrastructure has significantly slowed productivity and growth. Yet construction of well-targeted infrastructure can provide a real boost to the economy. Conversely, governments, on behalf of taxpayers cannot be expected, or indeed afford to fund all infrastructure. These are the realities facing Infrastructure Australia, which has an enhanced mandate to tackle the underlying causes of the nation's infrastructure backlog.

Getting the infrastructure equation right will protect Australia's quality of life in these changing economic times. The Abbott Government has, therefore, given Infrastructure Australia a special mandate to develop a nation-wide vision for economic and social infrastructure, resulting in a comprehensive 15-year Australian Infrastructure Plan.

Infrastructure Australia's current focus is on undertaking a comprehensive audit of nationally significant infrastructure needs across Australia. To achieve this, the audit is using macro-economic modelling to estimate and project the direct economic contribution of various networks and assets to Gross Domestic Product.

Extensive consultation is also being utilised in the audit process. There have been numerous cross agency meetings involving a range of bodies from each jurisdiction, as well as the appointment of expert panels in each sector. These panels provide guidance and critique work on the audit and Plan at each milestone of the development. The results of the audit will help development of the 15-year Plan, which will address potential future infrastructure gaps.

Australian Government
Infrastructure Australia

For more information please contact:

John Fitzgerald, Interim Infrastructure
Co-ordinator, Infrastructure Australia
john.fitzgerald@infrastructure.gov.au | Tel: +61 2 8114 1900

We are preparing the audit and the 15-year Plan in close partnership with the private sector and all state and territory governments. We are committed to an open, inclusive consultation process and an outcome that sees a valid, meaningful plan for the future of infrastructure in Australia. We are ambitious, but practical and very determined.

Infrastructure Australia is also conducting an audit of infrastructure in Northern Australia. This will cover water, energy, transport and communications infrastructure that are considered to be critical to the current and future development of Northern Australia. The results of this audit will feed into the Government's White Paper on Developing Northern Australia. The White Paper provides a platform to realising the full economic potential of the north.

We aim to close the gap on Australia's infrastructure by continuously improving the way major projects are planned, procured and operated. We will help lead the debate about expanding the total funding base for new infrastructure and creating effective market mechanisms that encourage whole-of-life asset management and higher standards of service delivery.

In the words of our Chairman – Mark Birrell:

> "New and better-run infrastructure is needed that:
>
> - Strengthens our role as a globally focused economy, helping Australians get value-added products and resources to overseas markets;
> - Meets our needs as a highly urbanised nation, enhancing the liveability of our cities and fostering the skilled jobs that cities create; and
> - Underpins Australia's prospects for sustainable growth, with strategic planning and integrated land-use decisions."

The Government has directed that infrastructure projects should only be approved subject to a cost-benefit analysis and transparency about the economic objectives they are designed to achieve. Infrastructure Australia will independently assess proposals and report the reasons for approval. We are absolutely committed to our role of facilitating delivery of projects that are cost effective and meet their objectives.

We will do this by further developing the project prioritisation process and creating the larger pipeline of nationally significant infrastructure projects. Across the nation we can ensure new infrastructure is constructed for the right reasons at the right time.

We will also facilitate the funding debate. This is one of the fundamental issues around the construction of infrastructure in Australia. Debate must be encouraged on fresh ways to turn project ideas into reality, exploring the full variety of funding and financing options.

We aim to close the gap on Australia's infrastructure by continuously improving the way major projects are planned, procured and operated

Australia can better utilise private capital, including superannuation funds, as an alternative to public debt. We have already started the conversation and with my background in infrastructure financing, this is a debate close to my heart.

I will be focused on recycling capital: selling or leasing existing brownfield public assets and immediately injecting the proceeds into new public assets. Infrastructure Australia is now developing a policy on asset recycling which will focus on infrastructure needs defined in our national infrastructure audit and the 15-year Plan. Handled well, the multiplier effect of these initiatives will be considerable and long lasting.

In addition to the above, Infrastructure Australia is preparing for fundamental changes to its organisational structure. The *Infrastructure Australia Amendment Bill* was recently passed in Parliament. The new legislation gives Infrastructure Australia greater independence, expands the organisation's functions, and clarifies Infrastructure Australia's role within the infrastructure sector.

My team has already been hard at work on the audits and the development of the 15-year Plan will flow from the audit work. We acknowledge the significant challenges in front of us but are excited about being part of the solution.

David Saxelby Chief Executive Officer, Construction & Infrastructure Australia, Lend Lease

DEVELOPING WORLD CLASS INFRASTRUCTURE IS A CRITICAL ELEMENT TO OUR NATION'S FUTURE

Addressing the cost of infrastructure requires looking at a number of key cost drivers, such as international commodity markets and supply chains as well as government approaches to regulation, procurement and pipeline coordination.

To be successful in this competitive environment engineering and construction companies must be focussed on the productivity challenge and through innovation and collaboration find ways to deliver significant efficiencies in the way major projects are designed and delivered.

Opportunities to innovate with the use of materials, equipment, contracting arrangements, supply agreements, and more, are a prime source of potential productivity improvements across all stages of the asset delivery process. The challenge for the industry to deliver significant efficiencies remains and can be achieved through investing heavily in technology including formwork systems, design software and processes, and in developing strategic supply chain agreements.

The Australian construction industry has, presently, a fragmented approach to Building Information Modelling (BIM), and to the use of supply chains. There are significant benefits to be had for clients of the industry from the adoption and widespread use of both tools in delivering major infrastructure projects.

The use of BIM both internationally and to a lesser extent locally is driving more efficient design, site management, construction methods and asset management. It is also a key to driving greater productivity from supply chain arrangements, offering opportunities to standardise and modularise components. Collaboration amongst members of project teams in the construction industry is a good thing. It is a vital input to efficiency and productivity, reduction in wasted effort, and minimisation of disputes. BIM produces best results when a delivery methodology is in place that facilitates the integration of contractors, trade contractors and suppliers in the design process.

McGraw Hill Construction reported in October 2012 the highlights of its research showing "the rapid advance of BIM usage by architects, engineers, contractors and owners in North America."

In particular, the percentage of companies using BIM jumped from 17 per cent in 2007, to 49 per cent in 2009, to 71 per cent in 2012. For the first time ever, more contractors (74 per cent) are using BIM than architects (70 per cent) signalling the increasing acceptance and maturity of this technology to improve business benefits including better profits, more accurate documentation, less rework, reduced project duration, fewer claims and the ability to offer new services.

Compared to international markets Australia is lagging in its adoption of BIM.

Based on the industry experience from Europe, the UK and North America, participants in the Australian engineering and construction sector, including government, must begin incorporating supply chain agreements to effectively and productively use BIM to deliver major projects.

The use of BIM to drive greater efficiencies in planning, delivering and management of major infrastructure projects is evident. The UK Government has mandated the use of supply chains on its projects, and is facilitating the industry-wide adoption of BIM. The Singapore Government has also mandated BIM, and has gone further by subsidising the cost of the software and training required to operate the software.

Government as a buyer in Australia could spur on the productivity gains to be had from both, by normalising the market by mandating the use of BIM, and requiring contractors to nominate the members of supply chains they will use, on all government projects.

Lend Lease

For more information please contact:

David Saxelby, Chief Executive Officer,
Construction & Infrastructure Australia, Lend Lease
LendLeaseMediaOffice@lendlease.com | Tel: +61 2 9277 6466

The more challenging, and potentially more rewarding, opportunity lies in government challenging the orthodox approaches to ensuring probity and value requirements are met, by finding innovative ways to appoint project teams before design solutions have been finalised.

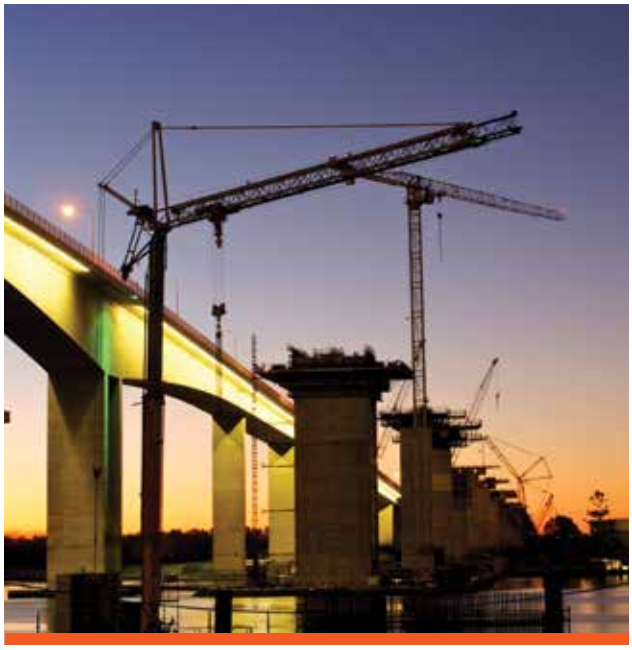
Government has roles as legislator and buyer in the procurement area.
To ensure competition in markets remains competitive procurement frameworks need to be transparent and satisfy probity and value for money requirements. Within those frameworks government agencies in Australia (and overseas) have been prepared to adopt innovative procurement strategies, including alliances, two stage managing contractor, and early contractor involvement appointments.

Ideally, government procurement policy should encourage collaborative working. Productivity gains will come from greater attention being paid to collaborative working, rather than the traditional trade and professional discipline "silos". Silos inhibit collaboration, result in longer time to commence construction and inhibit the ability of all parts of the industry to contribute to design and buildability.

Ideally, government procurement policy should encourage collaborative working

The benefits of early appointment coupled with use of BIM to develop design solutions to meet needs, are significant. The orthodox approach of appointing contractors only after designs are sufficiently developed to allow for tendering, denies buyers opportunities for productivity gains, both in capital and recurrent cost.

Changes to Commonwealth Research and Development (R&D) legislation in 2010 have made it harder to invest in innovation.
To assist and promote innovation, particularly in the engineering and construction industry, typically grounded in traditional methods, contractors need incentives to ask their workforce to turn things around and do things differently. For example, under the previous Research and Development (R&D) regime the technology that enabled early Green Star buildings entitled them to claim some R&D benefits. This made it easier and more attractive to secure investment in environmental and productivity innovations. The previous R&D regime was effective in cutting waste and driving improved productivity measures.



Real productivity improvement will only come from collaborative and focussed actions taken by industry and government.
In delivery of major infrastructure projects Government should encourage innovation and productivity gains by demanding innovative practices on its projects. Implemented properly demand side innovation will not inhibit competition or transparency. In fact this approach can lift standards that flow across the public sector and to the private sector. These innovations include requiring the use of integrated project teams, the use of BIM, and mandating the use of supply chains by head contractors.

In addition the legislative frameworks governing procurement should be opened up to encourage the selection of members of project teams before the scope of design is settled, to facilitate those opportunities. Taking this one step further, existing policies, laws, regulations and procedures should be re-visited to allow expansion of alternative approaches to selection of service providers (rather than competitive selection), including negotiation. The use of project team integration at an early stage of the design process coupled with the use of BIM has the proven ability to delivering significant benefits to clients, contractors, operators and owners.

The efficient delivery of infrastructure plays a key role in a competitive and productive economy and in meeting social and environmental objectives.

David Byrne Head of Utilities & Infrastructure, Australia & New Zealand, ANZ

STATE BUDGETS CONFIRM STRONG PIPELINE OF INVESTABLE INFRASTRUCTURE ASSETS

An unprecedented pipeline

ANZ has previously highlighted that Australia was on the verge on an unprecedented boom in investable infrastructure assets. We identified a pipeline of around A$220 billion in potential opportunities for investors.[1] The privatisation of State-owned infrastructure assets were expected to dominate this deal flow, driven by favourable demand for these assets, political motivation to improve public sector balance sheet flexibility, a renewed focus on driving growth through new infrastructure and supportive Commonwealth policies.

The current state government budget cycle has subsequently confirmed that the pipeline of investable infrastructure assets in Australia has rarely been stronger. Australia's three largest states, New South Wales (NSW), Victoria (VIC) and Queensland (QLD) have all announced plans to privatise, or partly privatise significant electricity, port and commercial water assets over their next parliamentary term. The total value of the assets slated for privatisation is approximately A$73 billion (Figure 1).

Sales tied to the political cycle

Whilst privatisation plans in VIC have bipartisan political support, privatisation plans in NSW and QLD are tied closely to those states' political cycles. Faced with a history of public opposition to infrastructure privatisations, both of these State governments are seeking a public mandate to proceed.

Against this backdrop, the NSW and QLD governments will not undertake these planned infrastructure asset sales until securing another term in parliament. Both of these incumbent governments currently hold power with large majorities. NSW goes to the polls in March 2015 with QLD's election due by June 2015. These assets will thus start coming to market from the second half of 2015.

Political sensitivity has also seen the NSW and QLD governments stop short of plans to fully privatise their electricity assets. The NSW Government is proposing a 99-year lease of 49 per cent of the State's distribution and transmission network, with the remaining 51 per cent to be governed independently by a "NSW Future Fund". Meanwhile, the QLD Government is currently only proposing to offer investors a non-share equity interest in its electricity distribution and transmission assets.

It is not yet clear how easily the structure proposed by the QLD Government (Non-Share Equity Interest (NSEI)), will find investor demand. Likewise, the NSW Government's proposal to retain majority ownership of the electricity network is also being questioned by some investors.

Figure 1: Australian state government infrastructure asset sales – confirmed or soon to be confirmed

Timing	State	Asset	Sector	Privatisation plan	Value A$bn
2014 H1	NSW	Delta Power (assets)	Electricity generation	Sale	0.8
2015 H1	VIC	Port of Melbourne	Capital city port	Long term lease	5.0
2015 H2	QLD	Gladstone Port	Bulk ports	Long term lease	3.1
2015 H2	QLD	Port of Townsville	Bulk ports	Long term lease	0.6
2015 H2	NSW	Ausgrid	Electricity distribution	Long term lease (49% private)	15.5
2015 H2	QLD	Stanwell	Electricity generation	Sale	2.0
2016 H1	QLD	CS Energy	Electricity Generation	Sale	1.2
2016 H1	NSW	Endeavour	Electricity Generation	Long term lease (49% private)	6.2
2016 H2	QLD	Sunwater Industrial Pipelines	Water bulk	Sale	1.1
2017 H2	NSW	Transgrid	Electricity transmission	Long term lease (49% private)	6.8
2018 H1	QLD	Energex	Electricity distribution	Private sector investment	12.2
2019 H1	QLD	Powerlink	Electricity transmission	Private sector investment	7.7
2019 H1	QLD	Ergon	Electricity distribution	Private sector investment	10.7
Total					**72.9**

Source: ANZ and state governments. Value is the estimate of total business valuation.

Smaller assets also coming to market

As well as the 'big ticket' infrastructure assets, State governments are expected to continue their sales of small assets. Public housing stock and commercial property (eg. government office buildings, car parks) will make up the bulk of this small-scale asset divestment, with the ACT, VIC and QLD governments already active in this space. Bus fleets, street lights, parking meters and medical equipment have also been flagged for possible sale / lease by various state and territory governments. ANZ analysis suggests these small scale assets could potentially boost the pipeline of Australian investable infrastructure assets by at least A$10-15 billion.

A favourable demand environment

Australian infrastructure assets are currently finding strong demand. Prices for recent asset sales are exceeding expectations with the long-term lease of Newcastle Port for A$1.75 billion (27 x EBITDA), the sale of Queensland Motorways for A$7.1 billion (27 x EBITDA) and the long-term

1 "The Australian infrastructure pipeline: Opportunities for investors", 13 March 2014

For more information please contact:

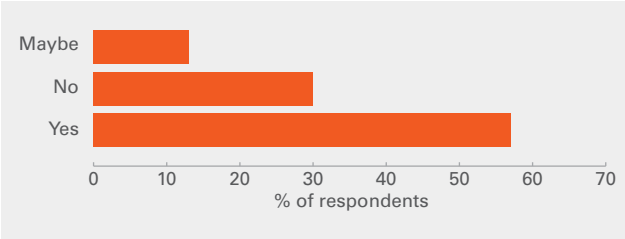
David Byrne, Head of Utilities & Infrastructure,
Australia & New Zealand, ANZ
David.Byrne2@anz.com | Tel: +61 3 8655 7552

lease of Port Botany and Port Kembla (25 x EBITDA)[2] the most recent examples. The buyers of these assets are a mix of existing operators and long-term domestic and offshore investors.

Strong demand reflects a number of factors. As well as the forecast strong outlook for the assets themselves, the current extended period of low global interest rates is playing a role by driving an increased desire by long-term investors (eg. pension funds) to diversify portfolios into alternative assets such as infrastructure.

Against a backdrop of improving global growth infrastructure assets should continue to offer favourable and stable long-term relative returns, and thus remain an expanding investment of choice for the longer-term investment horizon of the growing pool of global savings. Poll results from ANZ's 2014 Central Bank and Sovereign Wealth Fund Conference confirmed that the majority of central bank fund managers consider investment in alternative assets as a viable diversification approach (Figure 2).

Figure 2: Is investment in alternative assets a viable diversification approach for central bank fund managers?



Source: ANZ. Poll results from ANZ's 2014 Central Bank and Sovereign Wealth Fund Conference

Capital recycling gaining support

The Commonwealth Government will potentially add momentum to the privatisation of state government assets through its proposed Asset Recycling Initiative. Under this Initiative, if the states or territories privatise an asset and use the funds for new infrastructure spending, the Commonwealth will contribute 15 per cent of the assessed sale value of the asset towards new infrastructure spending. As with many of the Commonwealth's budget measures, it's passage through legislation in its current form is being challenged by opposition parties who oppose the proposal.

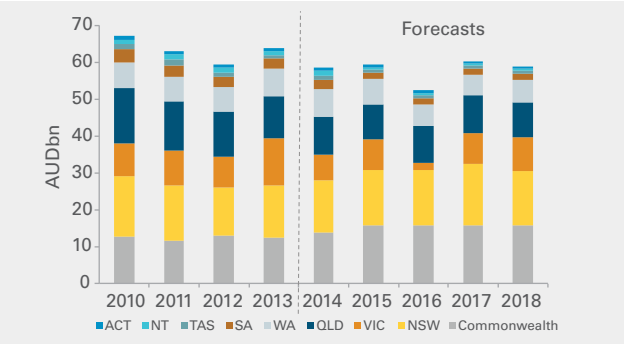
In our view this legislative uncertainty around the proposed Initiative will not threaten the major state asset sales announced in recent months (Figure 1) as they were expected to come to market regardless of the Commonwealth's policy.

Amongst the states, the policy of 'capital recycling' is gaining support, albeit amongst the states with stronger credit ratings. NSW and VIC have both pledged to use the majority of the proceeds of planned asset sales to fund new infrastructure spending. For the other states, the priority still appears focussed on strengthening their balance sheets (and improving credit metrics). The QLD Government has plans to "recycle" only 25 per cent of its planned asset sales, with most of the sale proceeds to be allocated to retiring debt. Neither Western Australia (WA) nor South Australia (SA) have as yet announced plans to take part in the Initiative.

New infrastructure spending to remain solid

Capital recycling will play an important role in funding ongoing economic infrastructure development. The latest Commonwealth and state government budgets have confirmed a steady pipeline of new infrastructure investment with a total spend of around $230 billion, or an average spend of around $57 billion per annum planned for the next four years (Figure 3).

Figure 3: State Government Infrastructure Spending



Source: ANZ Research and State Governments

This total spend of $230 billion is expected to be boosted by a further $29 billion, to a total of $259 billion over the next four years, if the NSW and QLD asset sales proceed as planned.[3] This new spending will be concentrated in urban transport. That is, to meet the needs of a growing population, the states' infrastructure capital is being recycled out of ports and power and into road and rail.

2 InfraNews

3 With the NSW and QLD governments seeking a political mandate to sell assets, the proceeds and planned spend from these sales have not been included in 2014-15 Budgets. NSW is allocating $20bn from planned asset sales to new infrastructure spending and QLD is allocating $8.6bn. Note that bipartisan support for the Port of Melbourne sale means the proceeds and planned spend from this sale are included in the VIC budget (and so are included in the total spend of $230bn presented above).

Darryn Paterson Acting Group General Manager, Strategy, Transurban

INFRASTRUCTURE INVESTMENT IN ROAD VERSUS RAIL – SHIFT THE DEBATE

Road and rail projects have traditionally been set against each other as competing options in the development of the transport networks of our cities. Scarcity of public funding has resulted in a zero-sum-game approach to the funding and development of major transport projects, to the detriment of the debate about how transport networks should be developed. Nowhere is this more evident than with major road and rail projects.

The reality is that transport networks are complex and multi-modal, requiring integrated solutions to achieve the most efficient movement of people and freight around our cities. Decisions about what projects to fund should be based on relative efficiency outcomes. The transport mode or modes that best meet these outcomes should be prioritised for development. Recognising this is crucial to understanding that the development of both roads and railways is central to addressing the transport challenges of our time.

Complementary transport modes – understanding the reality

Investing in metropolitan passenger rail, and encouraging its use, makes good sense. It is the objective of most, if not all, state governments to increase the use of public transport.

The reality, however, is that Australia is a car-loving country. There are 16.6 million vehicles registered in Australia—76.4 per cent of these are passenger vehicles, with freight vehicles at 18.8 per cent.

The vast land mass of Australia and its sprawling cities provide some explanation for its motor vehicle dependency. However, significant efforts have been made to encourage modal shift to public transport in the major cities. This is because public transport, particularly by rail, is ideal in certain circumstances.

In Melbourne, only about nine per cent of all trips during a weekday are by public transport. However, when looking at trips to workplaces, the figure rises to 19 per cent. Further, more than 60 per cent of Melburnians who work in the central business area use public transport for all or part of their journey to work.

Figure 1: Mode share – Victoria

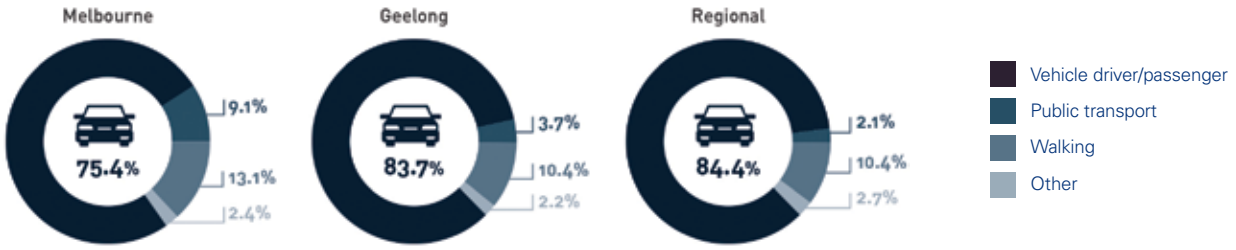
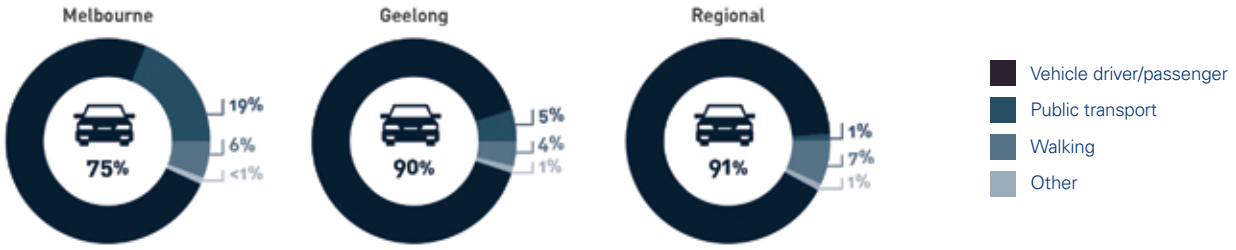


Figure 2: Trips to workplaces – Victoria



Source: Victorian Integrated Survey of Travel and Activity 2007 (VISTA 07), Department of Transport 2009

For more information please contact:

Darryn Paterson, Acting Group General Manager, Strategy
DPaterson@transurban.com |Tel: +61 3 8656 8271

Where people live within a few kilometres of a train station, the percentage of those taking a train is higher. The percentage is also higher in the inner suburbs. What this demonstrates is that rail is an efficient and preferred mode for moving people to and from the CBD, particularly during peak periods.

Roads complement railways best when managing orbital traffic flow, supporting a greater variety of trip types. Increasingly dispersed housing and employment is leading to an increase in intra-urban and cross suburban commuting flows. Public transport (and radial urban rail in particular) is less efficient than roads at catering for these trips.

Outcome-based modal decisions

In developing transport plans, governments are central to the debate because they are subject to intense scrutiny over decisions about what to fund and where.

In considering whether to fund rail projects, governments must consider relative efficiency versus other modes of transport. Railways (and public transport in general) are generally less efficient outside of peak periods. Services need to run at a reasonable frequency to provide a viable option for passengers. But continuing to operate off-peak with a fleet of large vehicles carrying relatively few passengers and a whole network of stations is inefficient, and contributes to a high operating cost.

A similar decision-making process applies to funding road projects. If the desired outcome is to move people and freight at all hours (particularly the multitude of small goods movements within cities), then it makes good sense to invest in roads. We rely on our supermarket shelves to be well stocked, our waste to be removed and our services to be seamless. We rely on heavy vehicles to distribute goods within cities.

Road and rail projects tend to be positioned as competitors, when the debate could be more productive if we consider how to provide both.

Modal decisions are complex and need to take into account a range of factors including:

- **Innovative policy initiatives**—i.e. congestion and network pricing;
- **Integration**—provide high capacity railway links between growth areas and the CBD, integrated with inner-urban road links so that orbital and cross-city travel is more efficient and direct;
- **Funding**—Find the right balance between public and private contributions;
- **Environment**—reducing transport greenhouse emissions by supporting innovative, lower-emission initiatives and technologies;
- **Social equity**—There will always be a need to provide adequate, low-cost transport options for citizens;
- **Local community concerns**—Major road and rail projects, particularly very large inner-urban projects, can have high social and environmental impacts;
- **True cost of providing transport**—encouraging public acceptance of measures such as road tolls and public transport fares that represent a realistic price to pay for quality infrastructure;
- **Type of infrastructure needed**—matching the infrastructure to the need; and
- **Planning**—meeting state and federal planning requirements.

Road and rail projects tend to be positioned as competitors, when the debate could be more productive if we consider how to provide both.

Governments need to take a more proactive stance on introducing private capital by taking advantage of a wide range of funding models. This, coupled with transparency and greater public understanding around the true costs of providing transport infrastructure, has the potential to help shape patterns of user behaviour and support the transport modes that are best suited to particular aspects of the network. Ultimately this will give us the best opportunity to fund a broader suite of transport projects across different modes, and keep our transport networks viable into the future.

Paul Foxlee National Head of Transport & Infrastructure, KPMG

EMERGING TRENDS CHANGING GLOBAL INFRASTRUCTURE

With a global recovery underway, the focus on infrastructure investment is gathering pace. A recent HSBC report identified that emerging Asia alone is likely to need US$11 trillion in basic infrastructure investment between now and 2030.[1]

To help navigate the renewed infrastructure investment environment, KPMG's global infrastructure leaders have identified the following four key trends as likely to shape the way that infrastructure is delivered around the world over the next five years.

Asset ownership is diversifying

With the emergence of direct pension investors and dedicated infrastructure funds, infrastructure ownership is now diversifying as long-term buy-and-hold investors build market share alongside infrastructure funds, traditional owners and short-focused private equity investors. Government regulators will be challenged to stay ahead of such a diverse set of owners. These new owners also want to be more active in their portfolio of investments. This should lead to better maintenance and utilisation as long-term investors seek to maximise the useable lifespan of a project.

People will pay, but what can they afford?

The affordability of infrastructure continues to be a major issue and public authorities around the globe are looking for creative ways to sustainably pass the cost of infrastructure to those who will directly benefit the most. In Toronto, a provincial government-appointed industry panel supported by the private sector has recommended raising local gasoline and corporate tax rates to fund congestion-reducing transit improvements.[2] This is similar to the structure in place for London's Crossrail, where ongoing work on Europe's largest construction project is funded in part by a business rate supplement and community infrastructure levy.

There is a renewed recognition of the role of cities in driving national economic activity.

Cities are the future

There is a renewed recognition of the role of cities in driving national economic activity. The debate is shifting from the fashionable concept of smart cities driven by technology to sound planning practice with viable housing and employment opportunities woven into the urban fabric. There is an integrated discussion around creating effective and efficient urban environments and placing sustainability, strong transportation links and improved quality of life at the core of the conversation.

Coaxing out the new models

One area that will require significant attention over the next few years will be the development of new infrastructure models to better recognise long-term objectives and lifecycle value. Unfortunately new funding models have been slow to develop and the institutional debt market has made less progress than anticipated. But new models must emerge if deal flow increases as expected and capacity in the financial markets come under significant pressure.

To discuss these trends and their impacts in more detail, please contact Paul Foxlee, National Head of Transport & Infrastructure.

KPMG

For more information please contact:

Paul Foxlee, National Head of Transport & Infrastructure
pfoxlee@kpmg.com.au

1 http://www.nationmultimedia.com/business/Surge-in-infrastructure-spending-likely-to-spur-gl-30218596.html
2 http://www.theglobeandmail.com/news/toronto/panel-recommends-gas-tax-hike-to-help-fund-toronto-area-transit/article15910196/

REBUILDING NSW – STRENGTHENING OUR STATE, CREATING OUR FUTURE

In June 2014 the Baird Government announced that if re-elected in March 2015, we will unlock $20 billion in infrastructure funding by undertaking a long-term lease of 49 per cent of the electricity network businesses. This plan to turbocharge infrastructure across the State is *Rebuilding NSW.*

This is an exciting time for New South Wales. We have come a long way in three years, from a state that lagged on all economic metrics, to the leading state on jobs, housing approvals and business confidence.

We have unlocked new funds through our capital recycling strategy. Proceeds from asset transactions like the ports and the power stations have been reinvested into priority infrastructure recommended by Infrastructure NSW. NSW has been firmly placed on the global infrastructure map attracting funds from significant international investors including China Merchants Group and the Abu Dhabi Investment Authority. Offers that were received well exceeded the retention value of these assets.

The Government has pragmatically engaged with the private sector and independent bodies Infrastructure NSW and Infrastructure Australia to address the $30 billion infrastructure gap. Despite slower revenue growth, NSW has adopted innovative financing arrangements to unlock significant value for money outcomes for NSW, while maintaining the State's triple-A credit rating.

The Government will spend a record $61.5 billion on productive infrastructure projects over the next four years alone. This includes projects such as WestConnex, Sydney Light Rail, NorthConnex, North West Rail link and Northern Beaches Hospital.

We have delivered on our promise to make NSW number one. But we cannot stop there. As I said when I delivered this year's Budget – we are a Government that builds for the people of NSW. We are determined to make this great State even greater, not just for tomorrow, but for generations to come.

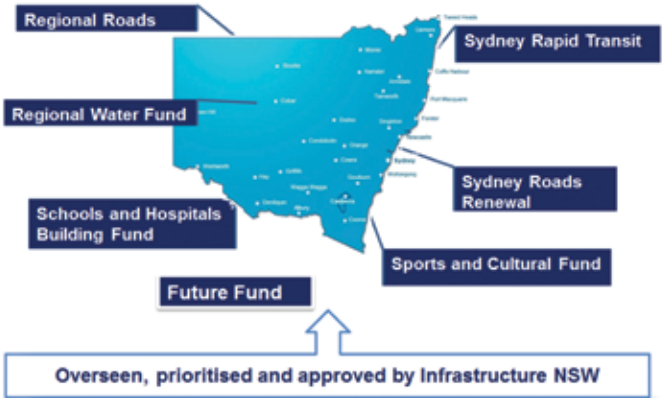
The *Rebuilding NSW* package will turbocharge productivity and improve the daily lives of families right across the State. Investing in productive infrastructure projects now will underpin economic growth and anticipate demand for housing, education, health and transport.

In addition, the Government has announced an exciting pipeline of future projects. Proceeds from divesting the Government's ownership of the electricity network will go towards funding:

- Sydney Rapid Transit line, including a second harbour rail crossing and extending the North West Rail Link through the CBD and beyond to Bankstown;
- Sydney Roads Renewal, including two new WestConnex extensions; north and south, as well as projects in the Northern beaches and inner west;
- Schools and Hospitals Building Fund ($2 billion);
- Sports and Cultural Fund ($500 million); and
- Regional Road and Water Funds ($2 billion).

NSW now has the confidence and capacity to invest in our growing population. We have built a strong track record of partnering with the private sector. Now we plan to unleash the economic and social prosperity that future generations deserve.

A $20 billion infrastructure opportunity



NSW GOVERNMENT

For more information please contact:

Hon Andrew Constance MP, NSW Treasurer
and Minister for Industrial Relations
office@treasurer.nsw.gov.au | Tel: +61 2 9228 5274

Mark Stone Chief Executive Officer, VECCI

THE EAST WEST LINK PROJECT: A 'GAME CHANGER' FOR GOOD REASON

The fact that this year's Victorian Budget has a strong focus on investing in new infrastructure is not a matter of chance.

Responsible economic management and a strengthened budget capacity has enabled the Napthine State Government to make a commitment to a record $24 billion investment in transport infrastructure.

This investment includes a series of road and rail projects that, taken together, represent what has been described as a 'once in a generation' infrastructure programme that draws comparisons with past projects like CityLink and the City Loop.

The centrepiece of the capital investment is the East West Link project. The East West Link is an 18 kilometre cross-city road connection extending across Melbourne from the Eastern Freeway to the Western Ring Road.

It stands to be one of the largest infrastructure projects ever constructed in Melbourne. The East West Link is designed to tackle many existing transport problems associated with population growth and our urban sprawl, including transit delays and rising congestion.

It is also designed to ensure that as Melbourne grows and changes, and demand for travel and freight increases, we can rely on fast and efficient connections around the city, our suburbs and critical destinations such as the Port of Melbourne and Melbourne Airport.

Meeting both challenges is important for business and the future prosperity of all Victorians.

The centrepiece of the capital investment is the East West Link project

The project has two stages. Both can be expected to generate significant long term direct and indirect benefits for the state, not least employment opportunities, with Stage 1 creating 3,200 jobs and Stage 2 3,000 jobs during their respective construction phases.

Stage 1, or the Eastern Section, is a six kilometre section with a tunnel connecting the Eastern Freeway with CityLink. Construction is due to commence later this year and be completed in 2019.

A connection from CityLink to the Port of Melbourne has been included in the planning process for Stage 1. The Port connection will provide a high capacity freight link to major destinations and improve the travel reliability of freight to and from the Port. This will benefit businesses in Melbourne and regional Victoria that move goods interstate and overseas.

Cognisant of the need to provide for demand beyond the capacity limits of the Port of Melbourne, the Government has commenced work on development of the Port of Hastings as the next container port in Victoria. Hastings will handle growth in trade volumes up to and beyond 2050 and, once fully developed, will be the largest container port in Australia.

The East West Link will play a key role in ensuring additional freight capacity and demand can be met by providing a new high-capacity connection to Victoria's key export gateways and freight precincts, including the Port of Hastings and key industries in Gippsland.

The value of the East West Link in providing an improved connection to Melbourne Airport should not be underestimated. Around 20 per cent of Melbourne Airport-related travel is to and from areas in Melbourne's eastern suburbs; An improved east-west connection will give commuters faster, more convenient access to the airport, whether they are passengers, workers or businesses using air freight.

For more information please contact:

Steven Wojtkiw, Chief Economist, VECCI
policy@vecci.org.au | Tel: +61 03 8662 5487

Stage 2 of the East West Link project, or the Western Section, is expected to be completed by 2023. This section will provide an alternative to the Monash and West Gate freeways for direct east-west travel. In doing so, it will also play a major role in transforming Melbourne and the way we do business.

For many years now the absence of a freeway-standard alternative to the M1 for direct east-west travel has led to increased congestion, delays and variable travel times. It has had acute implications for freight vehicles due to their heavy reliance on the freeway network.

History has shown us that transport congestion problems do not simply go away. *Plan Melbourne* highlights the likelihood of even more congestion in the absence of an improved road transport network, noting that demand for road travel from east to west across our metropolis is expected to grow by 38 per cent between now and 2031, to 440,000 trips a day.

Demand for road travel from east to west across our metropolis is expected to grow by 38 per cent between now and 2031

Delivery of the Western Section of the project will complete the full 18 kilometre East West Link extending from the Eastern Freeway to the Western Ring Road.

The Western Section of East West Link will benefit freight through:[1]

- Improved freight efficiency and productivity with more direct routes and faster travel times between the Port, key freight terminals and industrial centres in the outer suburbs;
- Improved travel times cutting 15-20 minutes off a typical trip from the freight precinct in Truganina to the Port of Melbourne;
- Boosted freight capacity by providing more route options and road space to move growing truck volumes in the future;
- Increased geographical market reach by better connecting Victorian businesses with their local, national and international markets;
- Access to more affordable industrial land in the outer suburbs, facilitating industry growth; and
- Complementing the role of rail freight.

However, the potential benefits of the East West Link extend beyond economic, business and employment gains.

Congestion cost savings not only raise productivity but provide social benefits by redirecting growing volumes of traffic away from local streets to new freeway standard roads. Many areas will become safer, cleaner, quieter and more attractive places to live.

Motorists will have an increase in travel choices with a new east-west route option. Improvements in average travel times and lower vehicle operating costs will benefit regular users of the city's road network.

Also, given that around 80 per cent of public transport services are on the road, improvements in the road network will mean less competition for road space and less time at traffic signals, improving the reliability of many tram and bus services.

Although the new road network embodied in the East West Link project is not the only infrastructure priority for the state, few other projects rival it for its capacity to make game changing improvements in urban and economic development for the benefit of all Victorians.

1 Source: Linking Melbourne Authority

Dr Kerry Schott Patron and Board Member, Infrastructure Partnerships Australia

RECYCLING GOVERNMENT ASSETS

The Rationale

The New South Wales Government has taken the lead in recycling government owned assets to finance new infrastructure. Mature assets on the State balance sheet that can be sold or leased have been identified and the potential for these to provide capital is being assessed. When it is clear that a sale or lease will yield proceeds that exceeds retention value - and where the opportunity costs of owning and maintaining these existing assets is well in excess of the benefits that can be achieved by providing new infrastructure – these assets become candidates for recycling.

A dedicated fund, *Restart NSW*, was established by the NSW Government in June 2011, with its initial source of funds including proceeds from the long term leases of the Sydney Desalination Plant, Port Botany, Port Kembla and the Port of Newcastle. The sale of the electricity generators in NSW will add further funds and reduce the State's liabilities significantly. The State's balance sheet is finally receiving the attention it deserves and its treatment is becoming far more disciplined.

The really transformative contribution in the future is a potential lease of part of the electricity transmission and distribution networks, with the potential transaction to be discussed with the community as part of next year's State election. Should it then be approved by the government, the infrastructure deficit in NSW, particularly in public transport, can be addressed.

To date *Restart NSW* has received around $6.7 billion for infrastructure spending. The infrastructure that will be partly or wholly funded through *Restart NSW* includes:

- WestConnex;
- NorthConnex;
- Pacific Highway upgrade;
- Princes Highway upgrade;
- Newcastle urban renewal (including light rail);
- Parramatta light rail; and
- The Bridges for the Bush programme.

Experience to date provides a strong rationale for this approach. Even with a state budget that is tightly controlled, the capital funding requirements for infrastructure in NSW could not be met without this asset recycling. The existing infrastructure deficit is too large and the competing demands on the State budget, especially for health and education, are too great.

Recycling assets is not without its problems and there are a number of areas that demand further examination, with competition and regulation in these industries of particular interest. Competition has been partly addressed by requiring the sale to maintain or improve competition in the market but it also demands good regulation.

Regulation

First it must be recognised that the earlier privatisations of government businesses largely concerned those that operated in competitive markets. This tranche of privatisation activity is generally over. The sale of government owned banks, insurance companies and airlines were all conducted in this competitive market environment and regulation, whilst important, was mainly concerned with the conduct of business. It covered such matters as prudential requirements for banks and insurance companies, and safety requirements for airlines.

More recent privatisations have moved into industries that are regulated because their industry structure is less competitive. These industries are capital intensive and have high costs of entry. They often have network structures or localised monopoly characteristics. Large ports and airports, fixed line telecommunication networks, rail and road networks, urban water and sewerage systems, electricity and gas transmission and distribution networks are all in this less competitive industry structure.

The challenge, irrespective of ownership, is to get good regulation. Those consuming and using their services need protection against overcharging; and those owning the assets need assurance that their returns will be reasonable in light of the risks they face and the future commitments they provide. These outcomes rely on regulators who understand the industry, the way that companies operate and finance themselves in that industry, and the risks that those companies are facing.

Any assessment of regulation in Australia in recent decades would give top marks to the Reserve Bank for its activities. Outside the Reserve Bank domain however the performance of regulators is less impressive and we have much room for improvement. History would suggest that our regulators do not always have a good understanding of their industry, the risks that companies are facing or the changes that are occurring because of technology or financial imperatives.

For more information please contact:

Dr Kerry Schott, Patron and Board Member,
Infrastructure Partnerships Australia

Examples of poor regulation are plentiful in the industries in which asset recycling is occurring:

- Recent large increases in power bills are in part due to a poor regulatory decision that allowed unnecessary capital works. Within that industry it is also notable that a large number of regulatory bodies are involved and a review would surely conclude that we can do better and with fewer regulatory institutions;

The challenge, irrespective of ownership, is to get good regulation

- In telecommunications the lack of broadband services in Australia is hampering innovation and competitiveness and has been arguably caused by regulatory failure. The establishment of NBN Co to rectify the issue would not have been needed had regulation been better in the first place;
- Urban water is regulated at the state level and the independence of the regulator from the political process varies between states. There is typically no appeal or review mechanism; and
- Port and airport regulation is relatively light handed and this approach will only continue while industry outcomes are satisfactory.

We therefore have a situation where recycled assets are moving from government to the private sector within industries where regulation can be improved. The resources devoted to regulation do not appear to be adequate or properly focused and the understanding by the regulators of the industry they are regulating, as well as the risks that the companies in that industry face, is not always sufficient.

The Way Forward

The way forward at a broad level is easy to identify. There is a budget problem at the state level and to provide adequate infrastructure, existing assets must be recycled. The economic efficiency of doing so will be enhanced if effort is put into reviewing and improving our regulatory regimes. Regulators are not always performing well. This does need to be recognised and where we can learn from others we should do so. We could do worse than look at the industry specific regulators in the United Kingdom.

Andrew Cannane General Manager, Corporate Client Services, Corporate Trust, Perpetual

MAKING IT EASIER TO INVEST IN INFRASTRUCTURE

In global terms, Australia is already a key market for institutional investors who have an appetite for infrastructure. However, challenges persist, so what else can be done to make infrastructure investment even more attractive?

In a 2012 report, the Organisation for Economic Co-operation and Development (OECD) described Australian super funds and their Canadian counterparts as being 'further along the learning curve' in terms of infrastructure investment than other institutional investors, with between 4 per cent and 16 per cent of their portfolios allocated to the asset class.[1] Prime Minister Tony Abbott has described himself as the 'Infrastructure PM'. Among the state governments, there is widespread acceptance of the concept that money that is raised through the privatisation of infrastructure should be reinvested in infrastructure: in other words, privatisation can contribute to economic growth.

And, if anything, the cooperation between the various levels of government is increasing. In late 2013, the Federal and state governments reached an agreement whereby corporation tax that is being paid by private buyers of assets will be 'recycled' to the state governments – so long as they use the money for building infrastructure. In recent times, billions of dollars have been raised through the sales of Port Botany/Port Kembla, the Port of Newcastle and Queensland Motorways.

The privatisation of the Port of Melbourne and, perhaps, the 'poles and wires' electricity assets of NSW are potentially in the not too distant future.

Challenges persist

Nevertheless, it is very easy to find evidence that investing in infrastructure—even for Australia's largest and most sophisticated super funds—is a challenging business. Unlike their counterparts in Canada, for instance, the Australian super funds are generally Defined Contribution in nature. The super funds' members have choice over where their money is invested, which is not efficient for long-term decisions that involve illiquid assets. Bidding is a costly and time-consuming process. Partly for this reason, institutional investors often prefer brownfield assets, about which more information is available than greenfield assets, for which future projections are sometimes overly optimistic. In any case, most Australian super funds don't have large in-house teams that can do all the research and due diligence that is required when bidding in tenders for large brownfield assets.

Perpetual

For more information please contact:

Andrew Cannane, General Manager,
Corporate Client Services, Corporate Trust, Perpetual
andrew.cannane@perpetual.com.au | Tel: +61 2 8295-8358

There are a number of other challenges, that apply equally both locally and offshore. Sometimes bidders for attractive infrastructure assets face competition from sovereign wealth funds (SWFs) who are motivated by strategic, rather than purely commercial/investment issues. Globally, investors seem to be troubled by the high fees of specialised infrastructure funds, asset valuations, fund structures and the availability of debt.[2] For its part, the OECD notes that there is a shortage of 'objective, high quality data on infrastructure investments.'[3]

Encouragingly, many of Australia's leading institutional investors with a commitment to infrastructure are actively working to find ways around the obstacles

What can be done

Encouragingly, many of Australia's leading institutional investors with a commitment to infrastructure are actively working to find ways around the obstacles. Some are moving from investment through infrastructure funds to direct investment in assets. Some are advocating inverted PPP bids, in which the long-term equity partner is selected first – ahead of contractors and financiers: in theory, this should reduce the risk of super funds spending a lot of time and resources researching a project, only to miss out on actually buying the asset. Industry Super Australia is looking at the development of a 'liquidity window' through which super funds can access infrastructure, without cash flow problems.[4]

If Australia's Defined Contribution super funds are able to resolve the problem of liquidity, it should become easier to develop a vibrant market for investment grade bonds with long-dated tenors of 20-30 years. Such securities make it easier to price infrastructure deals. For greenfield projects that cannot be funded in any other way, it may make sense for state governments to provide guarantees: investors would receive a return that is at least as great as that is available from a benchmark 10-year bond that is issued by the state government in question. In a worst-case scenario, when the project is a complete write-off, the cost to the government would be equivalent to the 10-year bond yield – which, in NSW, is currently about 3.8 per cent.[5]

In short, it is reasonable to look for a lot of positive change in the coming year or so. The Infrastructure Priority List that is published by Infrastructure Australia should show which projects are seen by state governments as being key priorities and should provide insights as to how various challenges are being overcome.

Also, there are interesting pointers from overseas. In the Netherlands, 13 pension funds, pension fund managers and insurance companies have formed a new body, the National Investment Institution (NII), which will seek to overcome the obstacles to large scale infrastructure deals.[6] The NII may, for instance, provide risk-bearing sub-ordinated loans, which could make it easier to secure bank funding for transactions. The evolution of the UK's Pensions Infrastructure Platform, which aims to facilitate collective investments by pension funds in that country, could also be instructive.[7]

The Infrastructure Priority List that is published by Infrastructure Australia should show which projects are seen by state governments as being key priorities

Overall, though, investment in infrastructure in Australia, is set to become easier, not harder.

1 Della Croce, Raffaele, 'Trends in large pension fund investment in infrastructure,' *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 29, 2012, p11.

2 Preqin data, cited by Chen, Chu-Wei, 'Pension fund direct investments in infrastructure', *Global Infrastructure*, Winter 2012, p110.

3 Della Croce, Raffaele, 'Trends in large pension fund investment in infrastructure,' *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 29, 2012. p38.

4 Marriott, Cherie, 'Aussie asset pipeline grows', roundtable sponsored by ANZ Banking Group and Allens Linklaters, *FinanceAsia*, May 2014, pp42-47.

5 Yield as per www.tcorp.nsw.gov.au/html/is_bp_db.cfm, as at 15 July 2014.

6 http://www.bouwendnederland.nl/nieuws/940029/nationale-investeringsinstelling-kan-de-bouw-weer-lucht-geve, as at 15 July 2014

7 http://www.napf.co.uk/PressCentre/Press_releases/0251_Major_UK_pension_funds_become_PIP_founding_members.aspx, as at 15 July 2014

Ivan Varughese Associate Director, Macquarie Capital
Jim Miller Head of Infrastructure, Utilities & Renewables ANZ, Macquarie Capital

CONNECTING CAPITAL

Recent reports estimate the value of Australian infrastructure asset investment opportunities over the next five years at approximately $175 billion[1]. This unprecedented deal pipeline provides a strong indication that the peaking of the resources boom does not mean a decline in opportunities for investors in Australian infrastructure – in fact the opposite is true, and investment opportunities have rarely been stronger. With political will now well established across all levels of government, a wide variety of local and international investors are gearing up for a five year period of significant investment potential. The key challenge now facing the industry is efficiently connecting investor capital with this new wave of infrastructure opportunities.

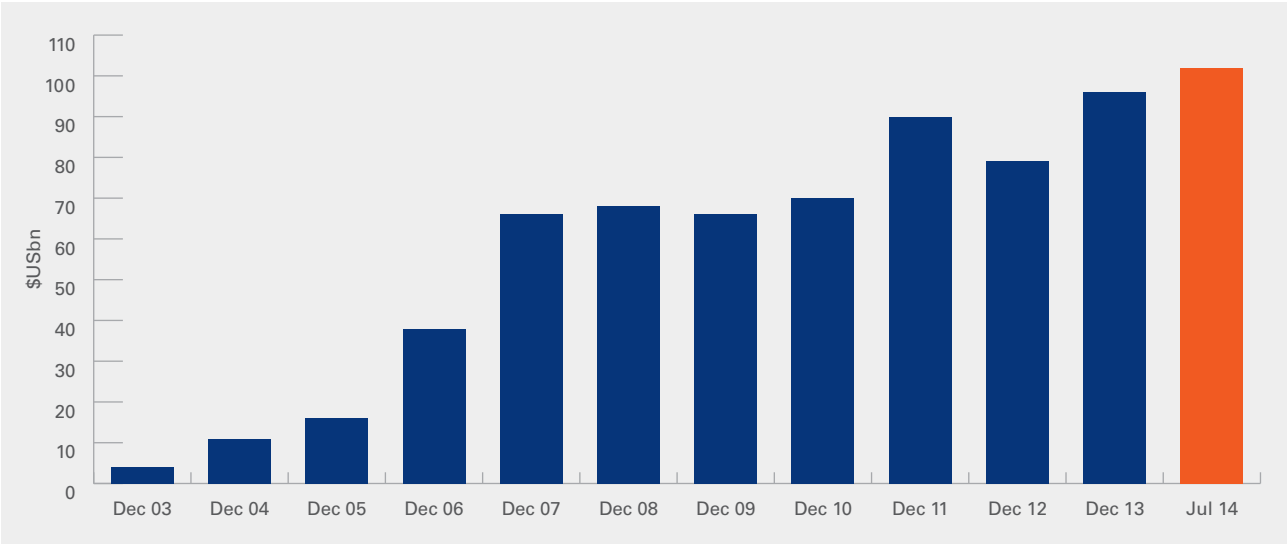
In search of investment opportunities

There is currently a vast pool of capital seeking infrastructure investments in Australia. Infrastructure's long-term, low-risk returns make it a natural fit for the long-term liabilities of superannuation funds and sovereign funds. Consequently, many funds globally are continuing to increase their infrastructure allocations. With Europe perceived as overbid in infrastructure, the US suffering from a shortage of suitable assets (and political will to privatise infrastructure), and Asia proving to be a challenging investment environment with returns often unreflective of risk, Australia's deal pipeline, strong economy and stable legal and regulatory regime are increasingly attractive to international investors.

The scarcity of suitable investment opportunities in the past few years has seen competitive bidding in core brownfield infrastructure asset sales, with domestic investors competing both against themselves and also against foreign investors. This in turn has expanded investor appetite to include 'core plus' and 'infrastructure like' assets.

Preqin estimates that global unlisted infrastructure funds currently have over $US100 billion of uncommitted funds available for investment in the sector.

Figure 1: Global unlisted infrastructure funds: uncommitted funds available ($USbn)



Source: Preqin

1 'The Australian Infrastructure Pipeline – Opportunities for investors' – ANZ, March 2014

MACQUARIE

For more information please contact:

Ivan Varughese, Associate Director, Macquarie Capital
ivan.varughese@macquarie.com |Tel: +61 3 9635 8375

Jim Miller, Head of Infrastructure, Utilities & Renewables ANZ, Macquarie Capital
jim.miller@macquarie.com |Tel: +61 3 9635 9104

Understanding the investment landscape

The domestic infrastructure investment landscape is starting to change. Specialist fund managers such as IFM Investors, QIC and Hastings have amassed significant expertise in both leading bids for and managing infrastructure assets on behalf of their domestic superannuation fund clients. While they continue to be the primary channel for this, a number of the larger domestic superannuation funds have started creating internal investment teams to look at direct investment in infrastructure and property, often initially co-investing alongside managers. Though still early days for most funds, this is likely to be a growing trend, with recent examples including AustralianSuper's investments in Port Botany and Kembla and Queensland Motorways.

Understanding the super funds' unique investment strategies is essential to developing suitable sales structures. Superannuation money is by nature conservative, due to its primary focus on funding members' retirements and achieving target portfolio returns. Many funds have stated priorities to invest in geographies and asset classes directly relevant to their members, and to adhere to published Environmental, Social and Corporate Governance (ESG) policies. These factors dictate that rigorous transaction processes are followed, ensuring appropriate governance rights attach to investments and that conflicts are managed effectively.

The scale and quality of core infrastructure sales in the Australian market has also attracted global interest, requiring sales processes that are suited to both domestic and international investors. A recent example is QIC's $7 billion sale of Queensland Motorways to a Transurban-led consortium including AustralianSuper and ADIA, the largest transport infrastructure deal in Australia to date. Macquarie Capital co-advised QIC on this large and complex transaction, which saw a significant amount of interest from foreign capital.

Understanding the super funds' unique investment strategies is essential to developing suitable sales structures

Macquarie's deep understanding of global investor appetites, preferences and constraints was crucial in enabling us to target a large number of domestic and international equity investors from North America, Europe, the Middle East and across Asia. This process attracted demand from domestic superannuation and international pension funds, global fund managers, sovereign funds, as well as global operators.

Innovative structures to maximise participation

New sales structures are emerging that facilitate the participation of smaller funds and address their typical investment concerns, but which also come with some challenges of their own. Feedback on various innovative structures that were considered for the Queensland Motorways transaction underscored the importance of investors having visibility on co-shareholders in consortia. Co-shareholders must have alignment of interest on areas such as investment horizons and capital structure requirements, as well as a strong ongoing relationship and a similar outlook for the risk profile of the asset. Another structure favoured by investors recently involves funds investing directly in the unlisted equity of a project while supporting any capital raising for their listed partner, for example AustralianSuper and ADIA with Transurban on Queensland Motorways.

With intense competition in the current market, lack of certainty around successful transaction outcomes is also challenging, given small teams and the substantial cost of bidding. The unsolicited proposals regime is one solution, whereby one consortium is taken straight to preferred bidder stage. Governments are also using a variety of other measures to reduce the cost of bidding, including bid cost reimbursements to losing consortia, limiting the number of bidders to two or three, and avoiding repeated bids and BAFOs.

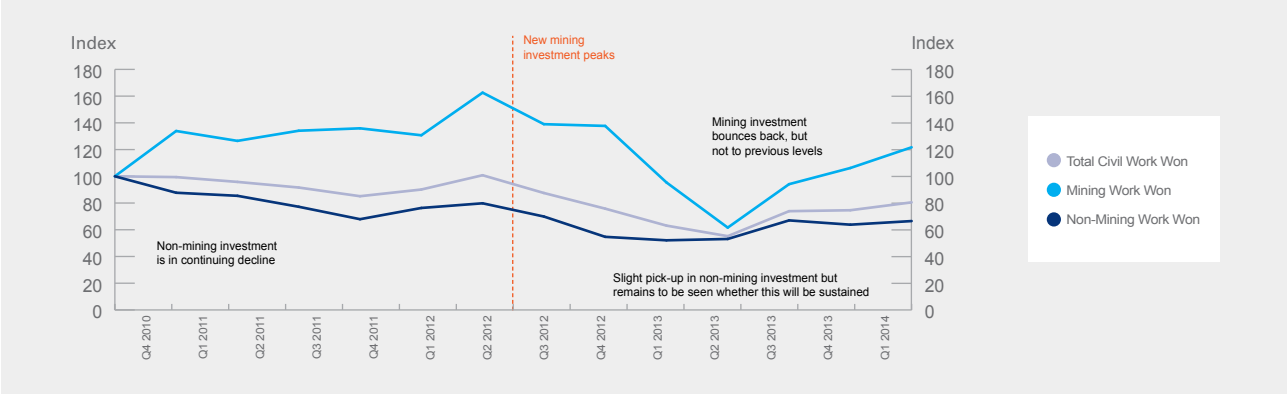
Macquarie's extensive experience of working with government and other clients on large, complex processes has provided unique insights into the growing need for tailored sale processes. As the number and variety of investors in Australian infrastructure increases, so too will demand for bespoke sales structures that create attractive and efficient processes for domestic and international investors alike. Customisation is key to increasing connectivity between investor capital and the unprecedented Australian deal pipeline.

Brendan Lyon Chief Executive Officer, Infrastructure Partnerships Australia

SOMETIMES, YOU'VE GOT TO CRAWL, BEFORE YOU CAN WALK

The twin pressures of economic requirement and growing community expectations for better infrastructure are driving a renewed focus on closing our infrastructure gaps.

Figure 1: Australian Infrastructure Metric – Work won (four quarter rolling average)



Source: The Australian Infrastructure Metric, IPA/BIS Shrapnel

In recent years, growing recurrent costs and mounting borrowings have seen Australia's infrastructure delivery slow, despite an obvious and growing demand for infrastructure investment.

Figure 1 shows the slowdown in public infrastructure investment since 2010, as new public infrastructure projects increasingly fell victim to over-committed and under-resourced public budgets.

But this slowdown, while frustrating for industry and the community, has now equipped policymakers and taxpayers to respectively lead and permit an accelerating programme of overdue privatisations, with the proceeds applied to new projects.

Indeed, the outlook for major greenfield projects appears very bright, as accelerating privatisation programmes unlock funding for a large, sustained programme of infrastructure delivery. Canberra's sensible asset recycling incentive adds further momentum, providing a time-limited and substantial funding boost for state infrastructure, in return for state government asset sales.

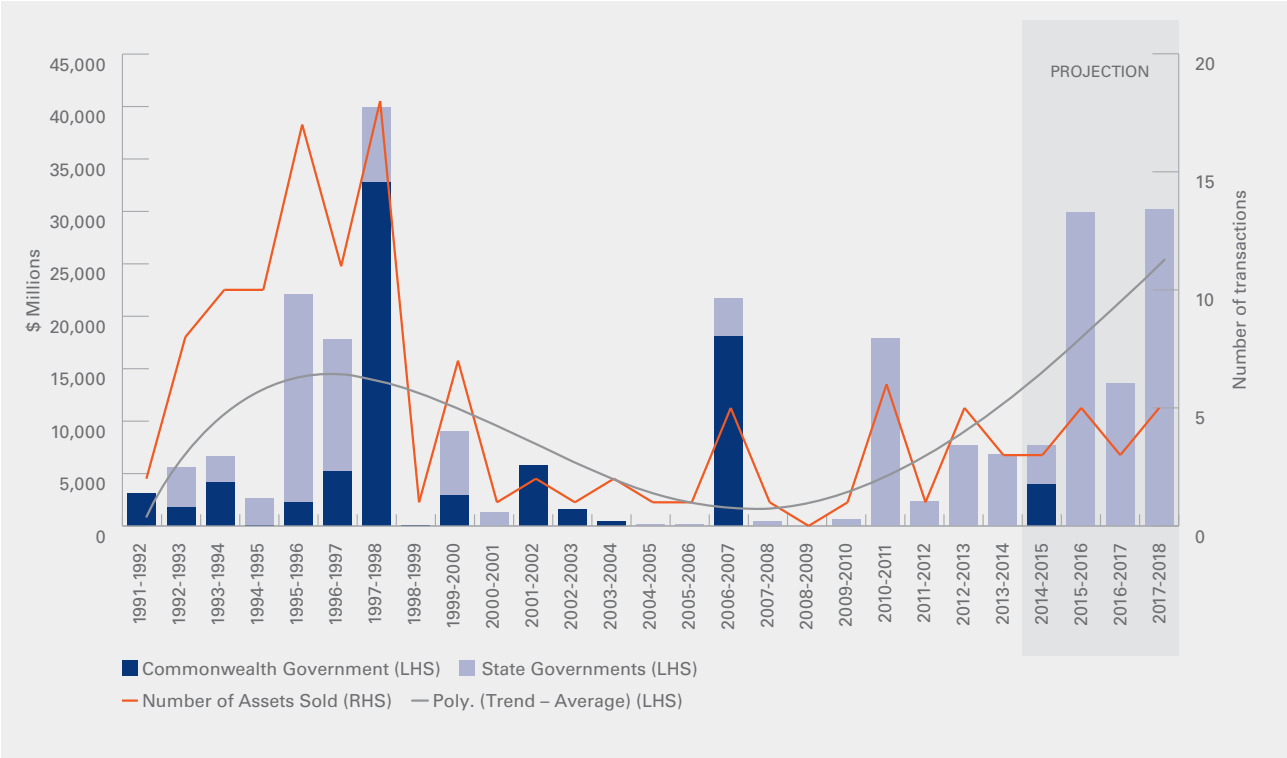
The lack of viable alternatives will ensure a considerable volume of privatisations with large, valuable assets like the NSW electricity grid, Queensland's resource ports and Melbourne's container port – Australia's largest – are put to the market.

The sale of these high value assets will be game changing, because of the huge funding capacity it will provide for infrastructure projects, large and small.

The committed east coast privatisations are the reason that Brisbane, Sydney and Melbourne are now able to contemplate multi-billion dollar expansions of their suburban railways. Each city needs major new CBD tunnels to ease existing network congestion, and to provide the expensive first step toward modern rapid transit in our three largest cities.

These projects would remain beyond reach without the one-off funding opportunity created through major privatisations – a point increasingly well understood by the community. Figure 2 shows our assessment of Australia's brownfield transaction pipeline.

Figure 2: Asset sales in Australia – 1991-2018 (actual/forecast)



Source: IPA analysis

The windfall funding from privatisations allows us to catch up on the backlog, but beyond this one-off funding, sustained progress requires a more complex process to realign public sector revenues and recurrent expenditures, and equally complex reforms toward more efficient transport and other infrastructure services markets.

The sale of these high value assets will be game changing, because of the huge funding capacity it will provide for infrastructure projects

In this regard, the constellation of important national policy reviews spanning infrastructure, competition, taxation and financial regulation, as well as the efficient operation of the Federation, are incredibly important.

It is likely that read together, these reviews will drive significant changes to the shape and operation of infrastructure.

The Productivity Commission's final report on public infrastructure is a case in point. It makes worthy immediate recommendations on process and procurement reforms; and also makes important observations about the need to begin a (much) longer-term process to rebase road pricing and funding.

The Productivity Commission finds that transport's revenue base is broken, while the pricing approach lacks the sophistication and transparency that is now possible and needed. Recommending trials of a system that can price congestion means that this important option can now be honestly discussed with the community – a precondition for later change of this scale.

The committed east coast privatisations are the reason that Brisbane, Sydney and Melbourne are now able to contemplate multi-billion dollar expansions of their suburban railways

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For more information please contact:

Brendan Lyon, Chief Executive Officer, Infrastructure Partnerships Australia
brendan.lyon@infrastructure.org.au |Tel: +61 2 9240 2051

Ian Harper's review of national competition policy will logically consider reform to transport, telecommunications and utility markets, given the obvious and direct impact of these sectors on Australia's competitiveness.

But Professor Harper's review is also likely to consider, in some detail, the circa 30 per cent of GDP that is expended through the public sector, and the opportunities that exist to make this spend more effective.

Infrastructure projects will benefit from efficiencies in the cost of public services broadly, because these savings will naturally be applied to the unmet infrastructure funding task. But this need to redress the cost and quality of public services will also test equity and debt, as governments increasingly use social infrastructure procurements to drive price competition and service innovations into areas including public health, corrections and public transport services.

Early pathfinding examples include Sydney's North West Rail Link and Northern Beaches hospital PPPs, and Victoria's Ravenhall Prison. Each of these procurements bring a new private provider into an area of public sector monopoly, allowing cost and quality comparators between services delivered by, and services delivered for, the public sector.

Over the coming years, we can expect significant innovation and experimentation, as the public sector seeks to better align incentives to drive better quality public services, for materially better value.

Of course, progress in implementing many of these reforms will be necessarily slow.

Reforms to road user charging, or the progressive exposure of public services to contestable supply, each mark a significant departure from the status quo. Reforms of this scale need to be prudently designed, well explained and carefully trialled, in order to build political and community confidence about what can be delivered through reform.

Infrastructure projects will benefit from efficiencies in the cost of public services broadly, because these savings will naturally be applied to the unmet infrastructure funding task

The twin pressures of economic requirement and the community's expectation of better infrastructure lend important strength to the arm of reform minded policymakers. Together with support and drive from formal institutions like Infrastructure Australia, the industry and Australia's states, there is now a very real opportunity to close our infrastructure gaps.

SPEAKER PROFILES

ADRIAN KLOEDEN

Chairman, Infrastructure Partnerships Australia

Adrian Kloeden is the Asia Pacific Chairman of the FTSE international service company Serco and was formerly the Chief Executive Officer from 2002–2007.

Adrian's management experience covers a wide variety of industries, including forestry, agribusiness, manufacturing, distribution, retail, research and development, brand management, technology, e-commerce, defence and tourism and transport. He has held leadership positions in large and small public and private companies and government related organisations in many regions of the world.

Adrian's skills include change management, establishment and growth of new business opportunities, business restructuring and developing management teams for company growth and individual development. He is a strong believer that success is driven by selecting, developing and retaining, high quality people.

His early education was in Australia where he graduated in science from the Australian National University. He followed this a few years later with a master's degree in business from the London Business School.

Adrian contributes to community affairs through his former deputy-chancellorship of a University with a strong life-long learning and global focus and board positions at CEDA.

BRENDAN LYON

Chief Executive Officer Infrastructure Partnerships Australia

Brendan Lyon is the Chief Executive of Infrastructure Partnerships Australia, Australia's peak infrastructure body.

After roles in government and the private sector, Brendan joined the organisation in early 2006, working across policy and public affairs. He was appointed in early 2008 to head the organisation.

Brendan serves on a range of boards and committees, including the Board of Transport for NSW (formerly the NSW Department of Transport); the ACCC's Infrastructure Regulation Advisory Committee; and the Queensland Premier's Business Advisory Group, among others. He was also a Member of the Commonwealth's Infrastructure Finance Working Group.

Brendan is a Member of the Australian Institute of Company Directors and holds a Masters of Business Administration with Distinction, and was appointed as a visiting Associate Professor at the Sydney Business School in 2013.

Brendan has authored and contributed to a large number of research and policy papers dealing with infrastructure funding, financing and sectoral reforms.

THE HON. WARREN TRUSS MP

Deputy Prime Minister
Leader of the Nationals
Minister for Infrastructure and Regional Development
Federal Member for Wide Bay

The Hon. Warren Truss MP is Deputy Prime Minister of Australia and the Minister for Infrastructure and Regional Development.

He is also the longest serving leader of any political party in the Federal Parliament, having become Leader of The Nationals in 2007.

A third generation farmer from the Kumbia district near Kingaroy in Queensland, Mr Truss first won his seat of Wide Bay in 1990. He was a Minister in the Howard Government for 10 years, serving as Minister for Customs and Consumer Affairs in October 1997, and a year later, Minister for Community Services. In July 1999 Mr Truss became the Minister for Agriculture, Fisheries and Forestry, where he served for six years. He became Minister for Transport and Regional Services in July 2005 and, in September 2006, was appointed Minister for Trade.

Before entering Parliament, Mr Truss was a Kingaroy Shire Councillor from 1976 to 1990, including seven years as Mayor. He was Deputy Chairman of the Queensland Grain Handling Authority and a member of the State Council of the Queensland Graingrowers Association.

Mr Truss is also former State and National President of the Rural Youth Organisation and President of the Lutheran Youth of Queensland.

At the 2013 federal election, Mr Truss led The Nationals to the Party's best electoral result in 30 years.

AUBREY L. LAYNE, JR.

Secretary of Transportation
Commonwealth of Virginia

On 22 November 2013, Governor-Elect Terry McAuliffe appointed Aubrey Layne as Secretary of Transportation for the Commonwealth of Virginia. He was sworn into office on 12 January 2014.

Secretary Layne oversees seven agencies with over 10,000 employees and combined budgets of more than $5 billion. Prior to his appointment, he represented the Hampton Roads area on the Commonwealth Transportation Board from 2006 until January 2014.

Secretary Layne most recently served as President of An Achievable Dream Academy in Newport News, Virginia, a unique partnership between public schools and the local business community providing at-risk students opportunities to succeed.

Prior to joining An Achievable Dream Academy, Secretary Layne was President and Principal Broker of Great Atlantic Properties. He joined the company in 1994 and was responsible for operational activities, new business acquisition, and capital improvement strategy. Before joining Great Atlantic, he held various positions at Hofheimer's Inc., and ended his tenure there as President. Secretary Layne began his career as a Certified Public Accountant with KPMG.

Secretary Layne earned a B.S. in Accounting from the University of Richmond and received an MBA from Old Dominion University with a concentration in International Business. In 2011, he completed the University of Virginia's Sorensen Institute for Political Leaders program.

Secretary Layne and his wife, Peggy, live in Virginia Beach.

SPEAKER PROFILES

DR DENIS NAPTHINE

Premier of Victoria

Dr Denis Napthine was sworn in as the 47th Premier of Victoria on 6 March 2013. He is also Victoria's Minister for Regional Cities and Racing.

Dr Napthine was born on 6 March 1952 and grew up on the family farm in Winchelsea. He lives in Port Fairy, in Victoria's west, with his wife Peggy and they have three adult sons.

Before entering Parliament, Dr Napthine attended Winchelsea State School and Chanel College in Geelong.

He is a graduate of the University of Melbourne, with a Bachelor of Veterinary Science (BVSc) and Masters of Veterinary Studies (MVS). He also holds a Masters in Business Administration (MBA) from Deakin University.

A qualified vet, Dr Napthine held the positions of District Veterinary Officer, Regional Veterinary Officer and ultimately became Manager of the Hamilton complex of the Victorian Department of Agriculture and Rural Affairs.

Dr Napthine was elected to the Parliament of Victoria in the October 1988 State Election, representing the seat of Portland in the Legislative Assembly.

The Premier's vision is to lead a strong and decisive Victorian Coalition Government that delivers key infrastructure and better services for all Victorians, particularly those with special needs.

JIM BETTS

Chief Executive Officer
Infrastructure NSW

Jim Betts was appointed Chief Executive Officer of Infrastructure NSW in May 2013 following five years as the Secretary of the Victorian Department of Transport and four years as the Director of Public Transport at the Victorian Department of Infrastructure.

Key personal achievements during this time include the delivery of the $38 billion Victorian Transport Plan, the overhaul of Victoria's legislative framework to integrate the planning of transport and land use, and overseeing construction of the $4.3 billion Regional Rail Link project.

Jim's 25 years' experience spans strategic transport planning, infrastructure delivery, and transformational structural reform, including privatisation, private finance and regulatory reform, and also includes senior roles in the United Kingdom Government.

HON MARK BIRRELL

Chairman
Infrastructure Australia

Hon Mark Birrell was the founding Chairman of Infrastructure Partnerships Australia, and retired from the role in 2013.

He has extensive experience as a company director and lawyer, and from 2002-12 was the national leader of the infrastructure group at Minter Ellison Lawyers.

In April 2014, Mark was appointed Chairman of Infrastructure Australia.

Currently, he is also the Chairman of the Port of Melbourne Corporation and Citywide Pty Ltd and is President of the Victorian Employers' Chamber of Commerce & Industry.

Mark's earlier roles have included being Deputy Chairman of the Australian Postal Corporation and Chairman of Evans & Peck Limited. He is a Fellow of the Australian Institute of Company Directors.

Previously he was Minister for Major Projects and Government Upper House Leader in Victoria, working on successful PPPs and capital works initiatives like CityLink and the Docklands.

DR PETER BOXALL AO

Chairman
NSW Independent Pricing and Regulatory Tribunal (IPART)

Dr Peter Boxall AO is the Chairman of New South Wales's Independent Pricing and Regulatory Tribunal (IPART). He was also a Commissioner of the Australian Government's National Commission of Audit.

Previously, Peter was a Commissioner at the Australian Securities and Investment Commission (ASIC) from 2009 to 2011, and prior to that was Secretary of the Department of Resources, Energy and Tourism.

Peter's career has also included roles with the Department of Employment and Workplace Relations (2002-07) and Department of Finance (1997-2002).

In 2007, Peter was made an Officer of the Order of Australia (AO) for services to economic and financial policy development and reform in the areas of accrual budgeting, taxation, and workplace relations.

Peter is Chair of the St Catherine's Foundation Limited and was a member of Canberra Girls' Grammar School Board from 2001-2009.

He holds a PhD in Economics from the University of Chicago.

DALE CONNOR

Chief Operating Officer
Construction & Infrastructure, Australia

Dale Connor was appointed Chief Operating Officer of Construction & Infrastructure, Australia, in February 2013 and is based in Sydney.

Dale joined Lend Lease in 1988 and has held a number of senior roles across Lend Lease. Most recently, Dale was Group Head of Environment, Health & Safety. Previous roles also include Managing Director for the project management & construction business in the Americas region; Managing Director of Lend Lease's military housing business in the Americas; and Executive Vice President of Lend Lease's investment management business in the Americas.

Dale has wide spread experience in project management and construction, as well as design, development and privatisation. He has worked extensively in the construction industry across Australia, the United Kingdom, China and the United States and believes that working incident and injury free is a key principle to Lend Lease's success.

Dale holds a Civil Engineering Degree from the University of Queensland, and is a member of the Association of Defence Communities and the Urban Land Institute.

PETER HARRIS AO

Chairman
Productivity Commission

Peter Harris AO is Chairman of the Productivity Commission. Peter has previously served as Secretary of the Commonwealth Department of Broadband, Communications and the Digital Economy, and the Victorian Government agencies responsible for Sustainability and the Environment; Primary Industries; and Public Transport.

Peter has worked for the Ansett-Air New Zealand aviation group and as a consultant on transport policy. He has also worked in Canada on exchange with the Privy Council Office (1993-1994).

Peter's career with the government started in 1976 with the Department of Overseas Trade and included periods with the Treasury; Finance; the Prime Minister's Department and Transport.

He worked for two years in the Prime Minister's Office on secondment from the Prime Minister's Department as a member of then-Prime Minister Bob Hawke's personal staff.

In 2013, he was made an Officer of the Order of Australia (AO) 'for distinguished service to public administration through leadership and policy reform roles in the areas of telecommunications, the environment, primary industry and transport'.

He has a degree in Economics from the University of Queensland (1975) and is married with two children.

IAN HOLLAND

Director, Services Development
Uniting Care

Ian's career has included more than two decades as a policy developer, researcher, writer and advocate, with a commitment to advancing policies that support the most disadvantaged and marginalised, and which remedy injustice. He has responsibility for UnitingCare Australia's national advocacy program around the development of services, including for the aged, people with disability, children, young people and families, and in relation to income support justice.

Prior to joining UnitingCare Australia, Ian spent twelve years working in Parliament House, the first two as a researcher in the Parliamentary Library providing advice to members of Parliament, and then 10 years supporting Senate committees. He led the team that prepared the inquiry hearings and report of the Senate Select Committee on Mental Health in 2005 and 2006.

From 2011 to 2013, he was secretary to the Senate Community Affairs Committee, during which he administered inquiries into former forced adoption practices, the National Disability Insurance Scheme legislation, mental health services, and aged care reform.

Ian has qualifications in science from the University of Sydney, and in public policy from the University of New England and Griffith University.

KEN MATHERS

Chief Executive Officer
Linking Melbourne Authority

Ken Mathers is the Chief Executive Officer of Linking Melbourne Authority (LMA).

A civil engineer, Ken has had a long career in Victorian road infrastructure, commencing with the Country Roads Board in the 1960s. Project management roles included Melton Bypass, Hume Freeway duplication, the Western Ring Road, Monash Freeway upgrades and planning for CityLink.

He joined Melbourne CityLink Authority in 1995 as Director, Engineering and Operations.

After three years as a private consultant, he returned to the Victorian Government in 2003 to lead the Southern and Eastern Integrated Transport Authority (SEITA), responsible for the EastLink PPP.

LMA was established in 2010 as the successor to SEITA, and had responsibility for the 27 kilometre Peninsula Link, an availability PPP which opened to traffic in January 2013.

In 2012, LMA developed the business case for East West Link. It completed the statutory planning process for the eastern section from the Eastern Freeway to CityLink and the extension to the Port of Melbourne. LMA is now undertaking the bidding process leading to contract award in 2014.

Ken has been a Board member of City North Infrastructure Pty Ltd, the Queensland Government entity responsible for facilitation of Brisbane's $4.3 billion Airport Link project and is currently Vice-President of Roads Australia.

SPEAKER PROFILES

JEREMY MAYCOCK

Chairman
AGL Limited

Jeremy Maycock has been a Non-executive Director of AGL Limited since 2006, and Chairman since 2010. Jeremy is also Chairman of Port of Brisbane Pty Ltd and a Director of Nuplex Limited and The Smith Family.

Previously, Jeremy has been Managing Director and Chief Executive Officer of CSR Limited and held senior management positions in Australasia and SE Asia over 20 years with Swiss multinational construction material group Holcim Ltd.

His commercial experience spans 39 years, with his early career being with Shell Oil in the UK and in New Zealand.

JOHN MCEVOY

BaT Project Director
Projects Queensland

John McEvoy has 35 years' experience in the mobilisation and delivery of mega projects within Australia and internationally. During the past 15 years he has focussed on the transactional and implementation phases of a range of major economic, social and environmental infrastructure projects ranging from $300 million up to $5 billion.

He has established an industry reputation as an innovative problem-solver with significant experience in capital investment optimisation, and in utilising PPP, EPC and Alliance contract models to deliver successful project outcomes within challenging and complex social and political environments. John has recently been appointed by Projects Queensland as its Project Director for the $5 billion Brisbane Bus and Train (BaT) Project.

JIM MILLER

Head of Infrastructure, Utilities & Renewables, Australia and New Zealand, Macquarie Capital Limited

Jim joined Macquarie Group Limited in 1994, and has over twenty years' experience across a range of sectors in Australia/NZ, Asia, North America and Europe.

In the infrastructure and PPP sector, Jim has led over $100 billion of transactions including transport infrastructure, energy and utilities and social infrastructure assets.

Jim serves as Deputy Chair on Infrastructure Partnerships Australia's national Board.

PETER REGAN

Chief Financial Officer
WestConnex Delivery Authority

Peter Regan has over 18 years of public and private sector experience in project and infrastructure financing in Australia and the UK.

He is currently the Chief Financial Officer of the WestConnex Delivery Authority, and responsible for implementing the New South Wales Government's financing strategy for the WestConnex project.

Peter joined WestConnex in April 2014 on secondment from NSW Treasury where he had been the Head of Infrastructure Finance with responsibility for the development and financing of major new infrastructure projects including the North West Rail Link, NorthConnex, Darling Harbour Live, Sydney Light Rail and the Northern Beaches Hospital.

Peter also led the successful restructuring of the $2.4billion Waratah Train PPP and was previously a member of the WestConnex Delivery Authority Board.

Prior to joining NSW Treasury in April 2011, Peter spent 10 years in the UK. As Director of Corporate Finance at Transport for London, he led the unwinding of the £5 billion London Underground PPP, financed the development and expansion of the London Overground and Docklands Light Railway, and played a key role in delivering the financing and governance structures for the £15 billion Crossrail scheme.

Prior to joining Transport for London, Peter worked in project finance lending and advisory roles at Deutsche Bank and in corporate advisory at Price Waterhouse.

MICHAEL TRAILL AM

Chief Executive Officer
Social Ventures Australia

Michael Traill AM joined Social Ventures Australia (SVA) as founding Chief Executive Officer in 2002.

SVA is a non-profit organisation that has raised more than $45m from social investors to fund outstanding ventures and strengthen Australia's non-profit sector.

SVA helps to create better education and employment outcomes for disadvantaged Australians by bringing the best of business to the social sector, and by working with partners to strategically invest capital and expertise.

In 2009 SVA came together with the Brotherhood of St Laurence, the Benevolent Society and Mission Australia to form the GoodStart syndicate to acquire and run 650 ABC Learning childcare centres.

The acquisition was funded using a unique private and public sector funding model which raised $165 million from the National Australia Bank, private social investors, and the Australian Government. This collaborative model of social investment underpinned what is believed to be the largest non-profit transaction in the world.

Prior to joining SVA, Mr Traill spent 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment (MDI). Michael is Vice Chair of GoodStart Childcare Ltd, Chairman of the Opera Australia Capital Fund, Assetic Pty Ltd, and a Director of M H Carnegie & Co.

In 2010 Michael was made a Member of the Order of Australia in recognition of his services to non-profit organisations.

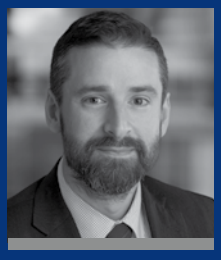
He holds a BA (Hons) from the University of Melbourne and an MBA from Harvard University.

CATHERINE YEOMANS

Chief Executive Officer
Mission Australia

Catherine Yeomans was appointed Chief Executive Officer of Mission Australia in March 2014. Prior to this, Catherine served as Mission Australia's Chief Operating Officer, and during that time held responsibility for functional areas including advocacy, media, marketing, fundraising, HR, legal, IT, procurement and property.

With a law degree by academic background, Catherine has held senior management roles in a broad spectrum of fields across the corporate sector. She is a Director of Mission Australia Early Learning, Mission Australia Housing, Mission Australia Housing (Victoria) and Many Rivers Microfinance Limited. Catherine is passionate about social justice and actively speaks out against inequality on behalf of the people Mission Australia serves.



MICHAEL ZORBAS

Head of External Affairs
Lend Lease

Mike Zorbas is Head of External Affairs at Lend Lease. He is responsible for engagement with governments and the media on behalf of one of Australia's most iconic companies. Lend Lease employs 14,000 Australians who have created international icons from our own Sydney Opera House, through the S11 national Memorial and Museum in New York, Petronas Towers, the Tate Modern and back to Sydney's Barangaroo and Headland Park; a financial centre and waterfront asset for the people of Sydney to rival Canary Wharf in London and Marina Bay in Singapore.

His previous roles have included Head of Strategy and Communications for Grocon, General Manager of Government Relations for Stockland, Deputy Head of Media for the Liberal Democrats in the UK and Chief Advocate for the Property Council of Australia. He is currently a Board member of the Sydney Institute and the Committee for Sydney.

He is a past director of the Canadian Government's Forum of Federations and also served two terms on the Special Broadcasting Service (SBS) Community Advisory Committee.

DIRECTORY LISTING

INFRASTRUCTURE PARTNERSHIPS AUSTRALIA BUILDING AUSTRALIA TOGETHER	**Infrastructure Partnerships Australia** Level 8, 8-10 Loftus Street, Sydney NSW 2000	Phone: +61 2 9240 2050 Email: contact@infrastructure.org.au Web: www.infrastructure.org.au
MACQUARIE	**Macquarie Capital** 50 Martin Place, Sydney NSW 2000	Phone: +61 2 8232 3333 Web: www.macquarie.com
ANZ	**ANZ** Level 27, 100 Queen Street Melbourne VIC 3000	Phone: +61 3 8655 7552 Web: www.anz.com.au
Lend Lease	**Lend Lease** Level 4, 30 The Bond 30 Hickson Road Millers Point NSW 2000	Phone: +61 2 9236 6111 Web: www.lendlease.com
transurban	**Transurban** Level 23, Tower One, Collins Square 727 Collins Street Docklands VIC 3008	Phone: +61 3 8656 8900 Email: corporate@transurban.com Web: www.transurban.com
KPMG	**KPMG** 10 Shelley Street, Sydney NSW 2000	Phone: +61 2 9335 7000 Web: www.kpmg.com.au
NSW GOVERNMENT	**NSW Treasury** Level 27 Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000	Phone: +61 2 9228 4567 Web: www.treasury.nsw.gov.au
State Government Victoria AUSTRALIA	**Victorian Government** Department of State Development, Business and Innovation Department of Treasury and Finance	Web: www.dtf.vic.gov.au Web: www.dsdbi.vic.gov.au

8th Floor, 8-10 Loftus Street
Sydney NSW 2000
T +61 2 9240 2050 **F** +61 2 9240 2055
www.infrastructure.org.au

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