

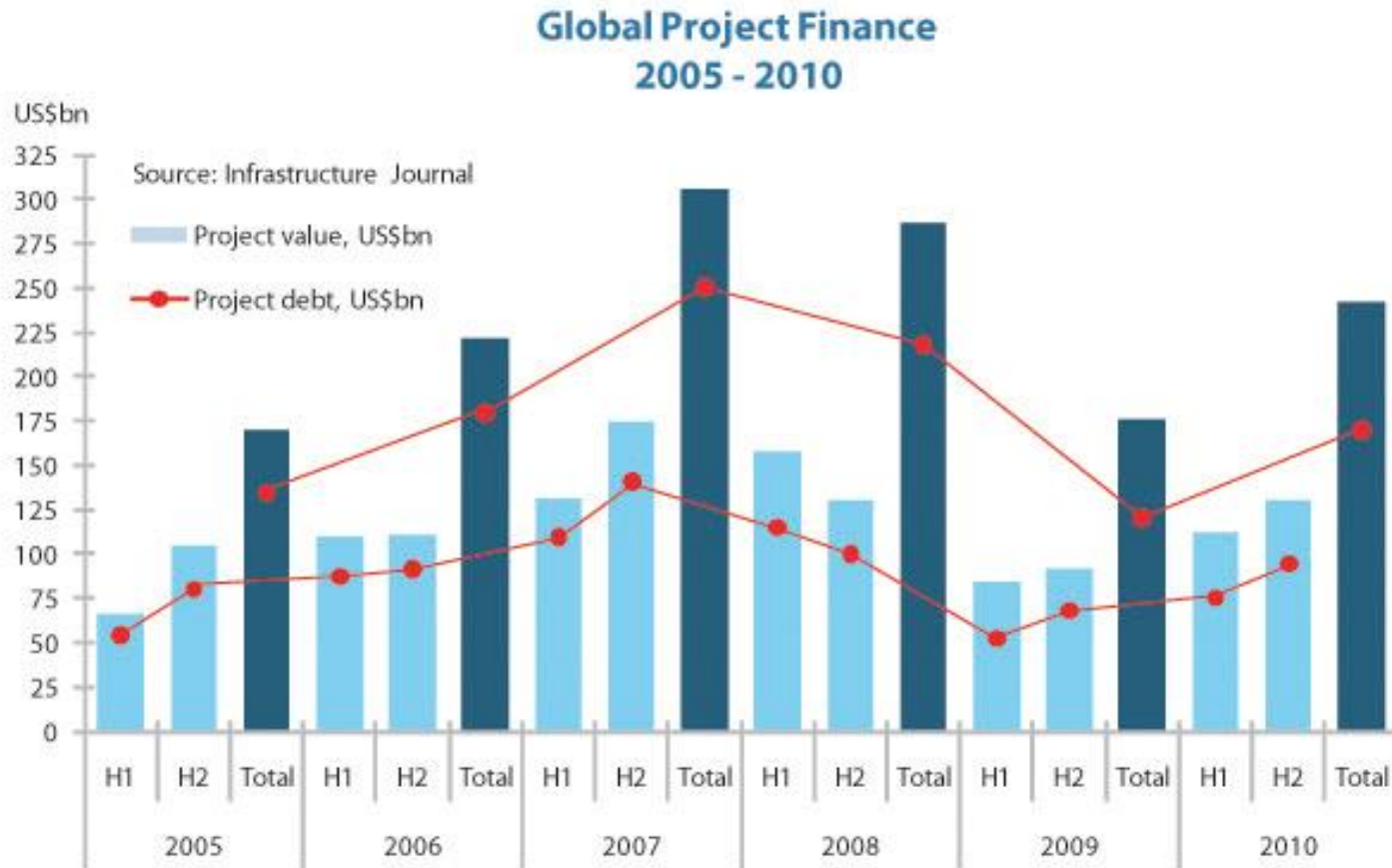
PPPs in the aftermath of the financial crisis - a global overview

24 March 2011

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- 2010 - a year of recovery ... and change
- 2011 - a year of uncertainty
- Is PPP a redundant concept?
- New challenges for PPP units
- New models
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- Conclusions

2010 - recovery



- “Global activity on the rise” *Infrastructure Journal*
- “Deal count at a record high” *Dealogic*

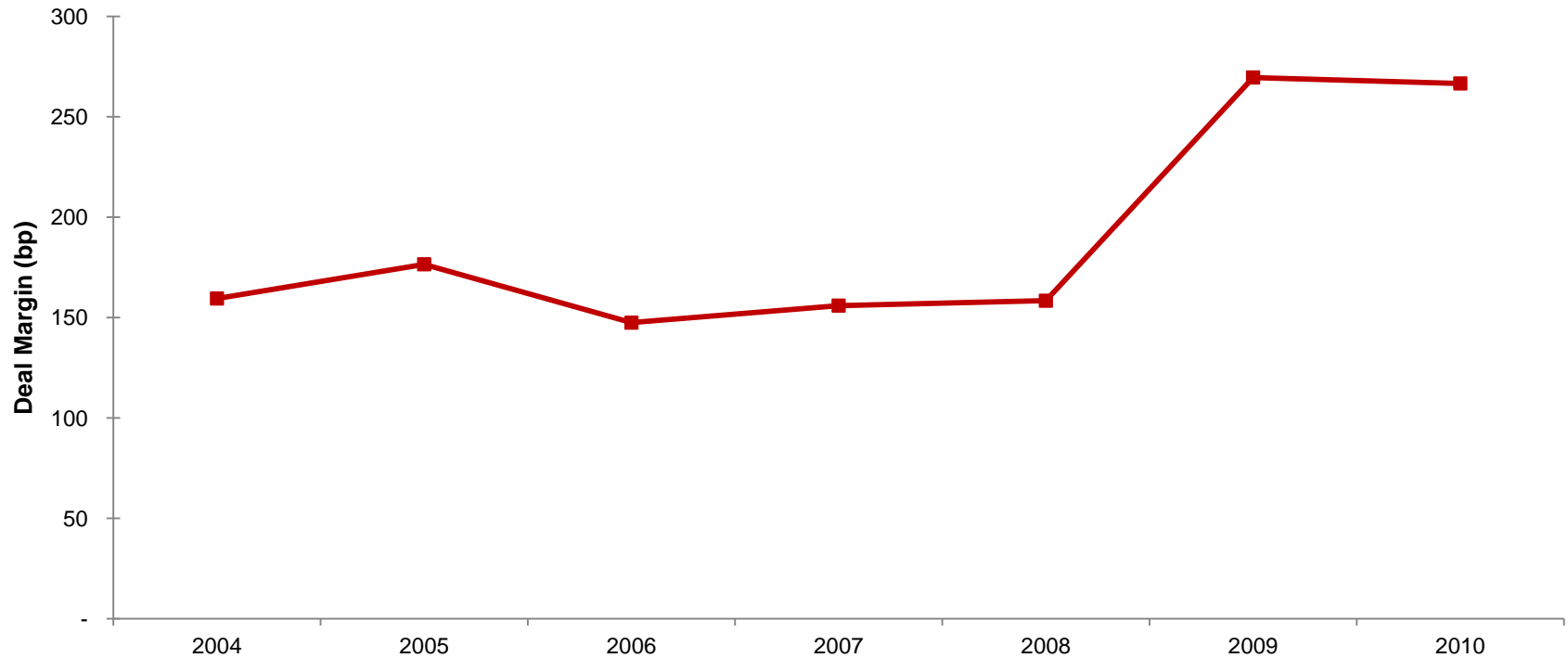
2010 - volume recovery ...



“PFI/PPP rose 35% to a record level in 2010” *Dealogic*

2010 ... but margins remain high

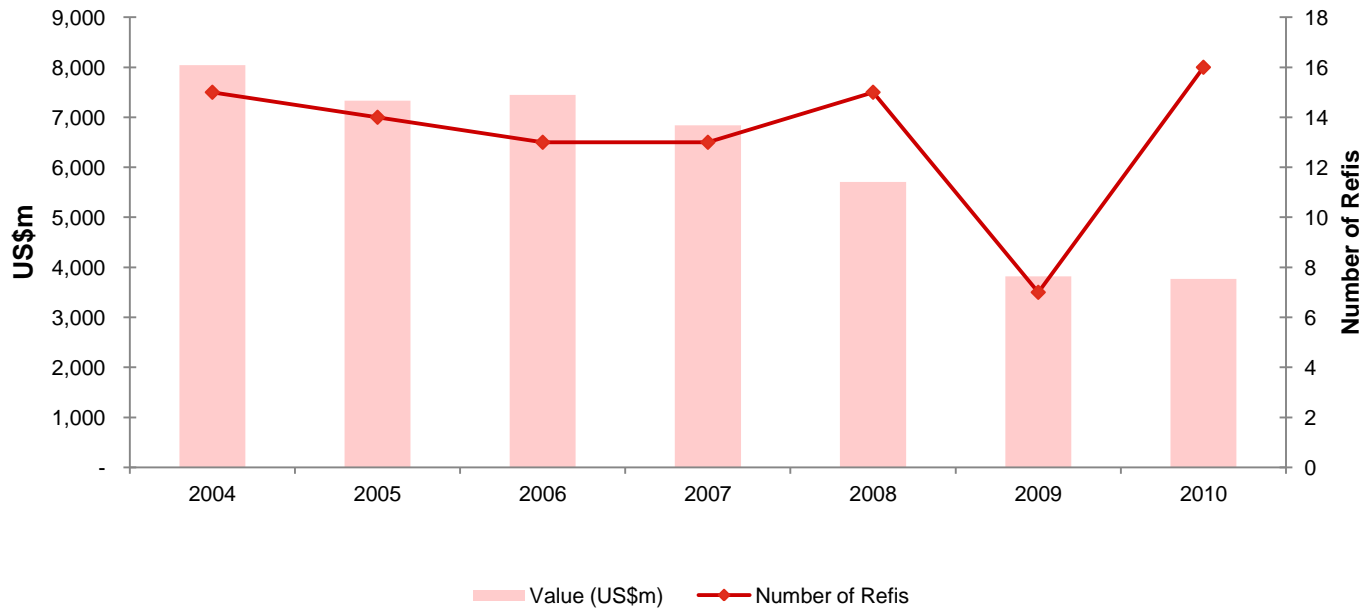
Global Project Finance - Deal Margins



Source: Dealogic ProjectWare

2010 ... and refinancing volumes low

Global PPP refinancings



Source: Dealogic ProjectWare

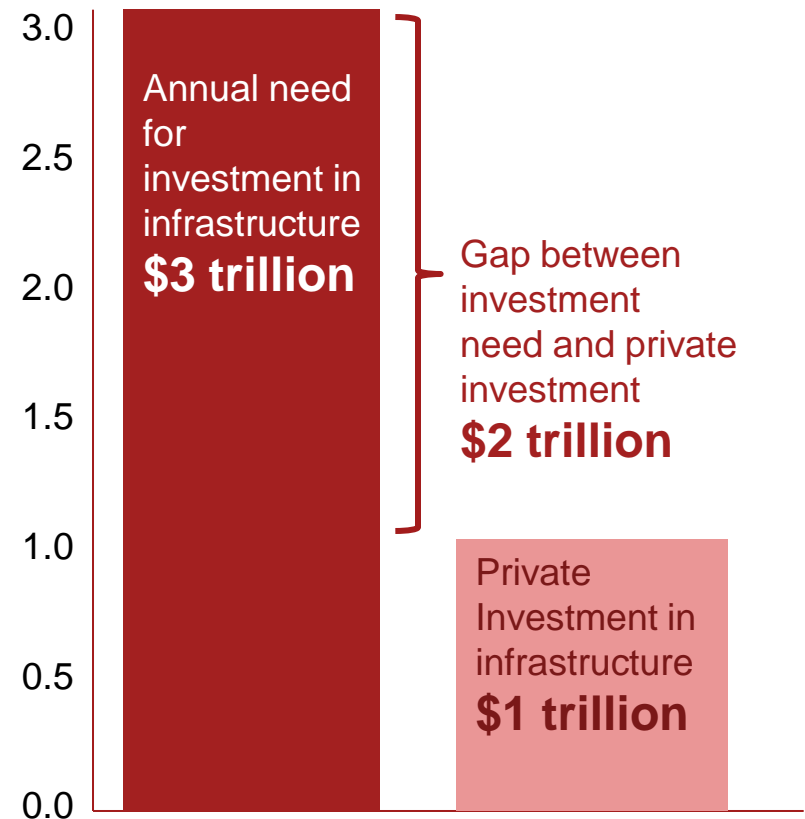
2010 ... and change

February	A\$759m Peninsular Link project closes, following Infrastructure Australia's national PPP guidelines
February	New Cairo waste water PPP closes
May	UK Coalition government elected; position on PFI ambivalent
May	Greek government agrees EU/IMF financial support
June	\$2.7bn LBJ Freeway Managed Lanes P3 closes in USA
June	\$1.4bn Karolinska hospital is the first healthcare PPP in Sweden
July	India announces 54 port PPP projects
August	\$1.5bn sports hub projects closes in Singapore
September	Vietnam announces new PPP programme
October	\$19bn UK defence PFI scrapped
November	\$3.4bn UK Channel Tunnel Rail Link concession sale closes
December	State Bank of India tops Dealogic PPP financial adviser league table

New countries, new sectors, new policies, new financial realities

2011 - uncertainties

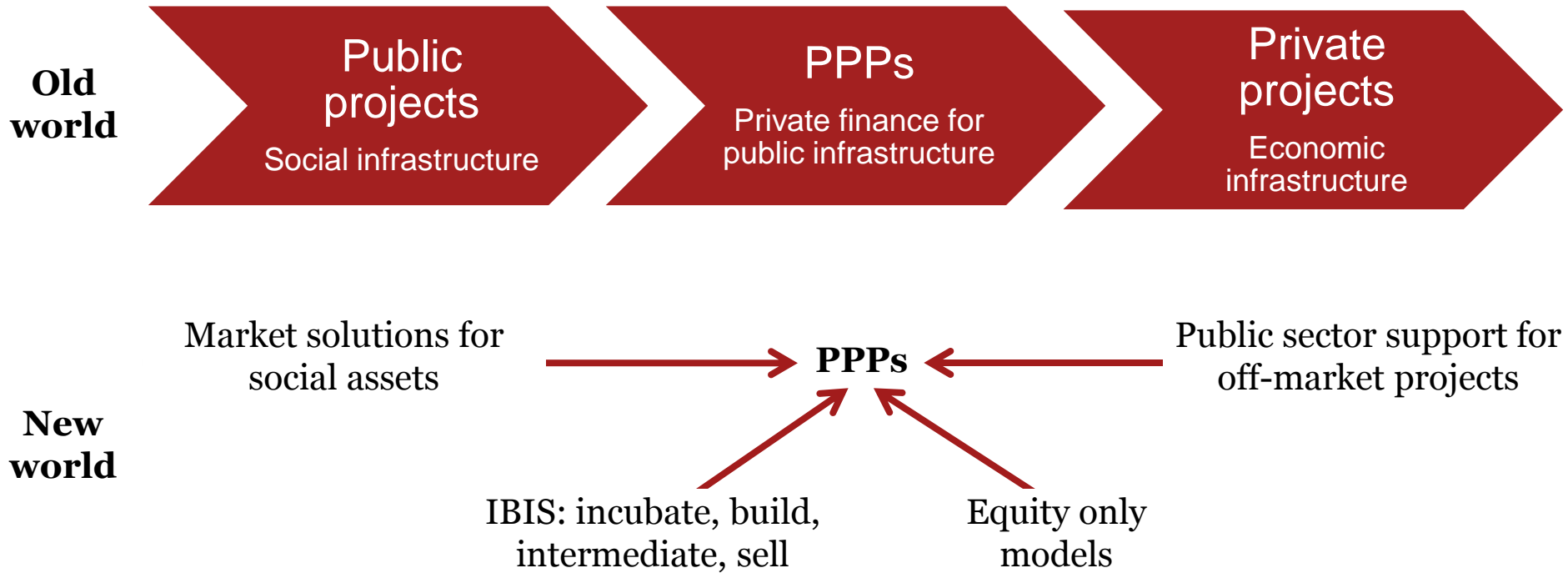
- Spending squeeze will reduce investment in Europe and North America
- Sovereign credit uncertainties continue
- Regional instability in MENA
- Capital markets solutions elusive
- Reliance on multilateral and government support, with associated political risk
- UK focusing on cost reduction in existing PPPs



Source: World Economic Forum report

**Probable shift from north and west to south and east.
And from greenfield to secondary market and M&A**

Is PPP a redundant concept?



PPPs are no longer a single clearly definable project/asset class

New challenges for PPP units

- Need for tailored, sophisticated market analysis and intervention to stimulate economic investment particularly in transport and energy:
 - European Commission's Europe 2020 project bonds initiative
 - UK's Green Investment Bank
 - The US TIFIA credit programme
- PPP units need to diversify and re-skill, or risk losing relevance
- VFM norms need to be re-considered
- M&A and operational skills will become important as assets are divested and more projects complete construction

New models

- Tax Increment Finance
- Regulatory Asset Base mechanisms
- Transitional support mechanisms
- Joint Ventures

Policy and financing developments

Policy

- Greater emphasis on long-term infrastructure strategies and choices through National Infrastructure Plans
- Focus on cost-reduction for existing PPPs and the management of operational projects
- Search for user pays models, subject to political will
- Winding down of financial crisis response measures

Finance

- Ongoing search for capital markets solutions
- And for liquidity in the bank market through secondary market sales
- Continuing flow of secondary market equity transactions

Conclusions

- PPP continues to develop and evolve as government funding is constrained and private funding has been increasingly accepted
- The future PPP world will be more diverse and complex than the past one
- PPP units will need to evolve with the market and in response political priorities