Source of my questions

“I took only a flick of the switch for PFI, the country’s standardized procurement process for public-private partnerships, to go from a respected procurement tool to a “national disgrace.”

Infrastructure Investor Berlin Summit, March 2012

Cannot underestimate political risk - political and not financial risk may soon become the most influential force in infrastructure globally.
1. Can PPP’s be simpler and offer better value for money?

“Plenty of room for improvement when it comes to complexity, procurement costs, value for money, and lack of flexibility.”

“PPP strength and weaknesses have only been discussed superficially and in the absence of any comparable public sector data.”

*Anthony Rabin, CEO, Balfour Beatty, Infrastructure Investor, Berlin March 2012*
2. Can PPP’s incorporate sufficient flexibility to accommodate changing requirements

“PPP’s must be more open when it comes to “flexibility” provisions, although “flexibility” must be addressed at the onset of the procurement process – the private sector can’t be expected to tackle this once things are built.”

Anthony Rabin, CEO, Balfour Beatty, Infrastructure Investor, Berlin March 2012
3. Who should address the broader policy issues if PPP is simply a procurement model?

“National Audit Office (NAO) in the UK thinks equity returns have been inflated over the years – investors have been profiting from higher than adequate returns for what are essentially low-risk projects backed by credit worthy sovereign guarantees – Treasury should put an end to this?”

For example, as a public policy should we be moving to a regulated asset base model to lower the cost of capital (as with utilities)?
Funding Capital Projects: Can PPPs Deliver Results

Maximizing Financing Opportunities Through Innovative Procurement Strategies

James McKellar
Schulich School of Business

Executive Land Forum, May 10, 2012
Challenge for governments today

Increased need for public investment

Restricted funding capacity

Restricted resource capacity

Need for new solutions

Investment capital

Experienced organizations

Strategic options

New business models

Possible new solutions
Governments across Canada are now prioritizing infrastructure renewal in response to this crisis resulting in significant investment opportunities for knowledgeable investors.

**Infrastructure Opportunity**

<table>
<thead>
<tr>
<th>Canada has a long-history of substantial under-investment in infrastructure</th>
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</thead>
<tbody>
<tr>
<td><strong>Approximately 30%</strong></td>
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<tr>
<td><strong>Over 80%</strong></td>
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<tr>
<td><strong>$123 billion</strong></td>
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<tr>
<td><strong>$115 billion</strong></td>
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<td><strong>Over $2 trillion</strong></td>
</tr>
</tbody>
</table>

Sources:  
Federation of Canadian Municipalities
The Canadian Council for Public-Private Partnerships
In several scenarios of economic growth, global investment demand could exceed 25 percent of GDP by 2030.

To support growth in line with the forecasters’ consensus, global investment will amount to $24 trillion in 2030, compared with about $11 trillion in 2008.


At constant 2005 prices and exchange rates; forecast assumes price of capital goods increases at same rate as other goods and assumes no change in inventory.

Source: Economist Intelligence Unit; Global Insight; Oxford Economics; World Development Indicators, World Bank; McKinsey Global Institute analysis
Demand for infrastructure financing outstripping the supply of new funds

On the demand side of infrastructure - $2.2 trillion needed in the United States, $21 trillion in emerging economies, and an estimate for Canada of $1 trillion by 2050.
Driving Change: The new financial frontier

Institutional funds are seen as sources of long-term capital (private) with an investment horizon tied to long-term liabilities (public)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Investor</th>
<th>Currently Committed to Infrastructure ($bn)</th>
<th>Investor Type</th>
<th>Investor Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>OMERS</td>
<td>15.5</td>
<td>Public Pension Fund</td>
<td>Canada</td>
</tr>
<tr>
<td>2</td>
<td>CPP Investment Board</td>
<td>8.6</td>
<td>Public Pension Fund</td>
<td>Canada</td>
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<tr>
<td>3</td>
<td>Corporación Andina de Fomento (CAF)</td>
<td>8.4</td>
<td>Government Agency</td>
<td>Venezuela</td>
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<td>4</td>
<td>Ontario Teachers' Pension Plan</td>
<td>8.1</td>
<td>Public Pension Fund</td>
<td>Canada</td>
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<td>5</td>
<td>APG - All Pensions Group</td>
<td>7.2</td>
<td>Asset Manager</td>
<td>Netherlands</td>
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<tr>
<td>6</td>
<td>TIAA-CREF</td>
<td>6.5</td>
<td>Private Sector Pension Fund</td>
<td>US</td>
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<td>7</td>
<td>CDP Capital - Private Equity Group</td>
<td>5.9</td>
<td>Asset Manager</td>
<td>Canada</td>
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<tr>
<td>8</td>
<td>AustralianSuper</td>
<td>5.3</td>
<td>Superannuation Scheme</td>
<td>Australia</td>
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<td>9</td>
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<td>3.5</td>
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<tr>
<td>10</td>
<td>QIC</td>
<td>3.5</td>
<td>Asset Manager</td>
<td>Australia</td>
</tr>
</tbody>
</table>

Source: Preqin Infrastructure Online
Some questions around the PPP model

1. What do each of you see as the benefits of the PPP as a procurement model?
2. Is the PPP model "brittle", or can it incorporate sufficient flexibility to accommodate future or changing requirements for service delivery?
3. Who should address the policy issues if not part of the PPP process?