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Infrastructure meets Business Globally: What to Expect from PFI?

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Infrastructure meets Business

- Infrastructure Gap is Massive (~ \$53 trillion OECD07)
 - population growth, migration towards cities, deteriorated infrastructure, globalization of supply chains
- Governments worldwide resort to private-sector capital due to constrained budgets and neo-liberal ideology

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Infrastructure meets Business

- Transportation systems (airports, railways, highways, ports)
- utilities (water, electricity, gaz)
- social assets (hospitals, schools prisons)




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Opportunities for Private-sector

44 types of facilities in 15 categories are eligible for PPP



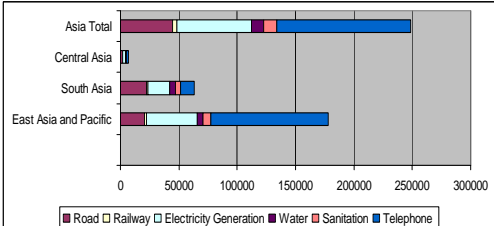
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Recent Asia trends

➤ **Enormous infrastructure demand**
(Annual infrastructure needs, 2005-2010) In USD million



Source: The World Bank Policy Research Working Paper

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The Funding Issue

- i) charges
- ii) government budget
- iii) hybrid scheme

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The Financing Issue

- Public finance
 - bonds; federal funds; taxes
- Private-capital involvement
 - privatization of state-owned infrastructure firms
 - private finance initiatives (PFIs)/concessions
 - contracting out provision of public services
- Key players:
 - public listed companies (e.g., AMEC, Ballford Beatty for PFIs; BAA, VIRGIN TRAINS for privatization)
 - infrastructure increasingly attractive to pension funds, private investors, family offices

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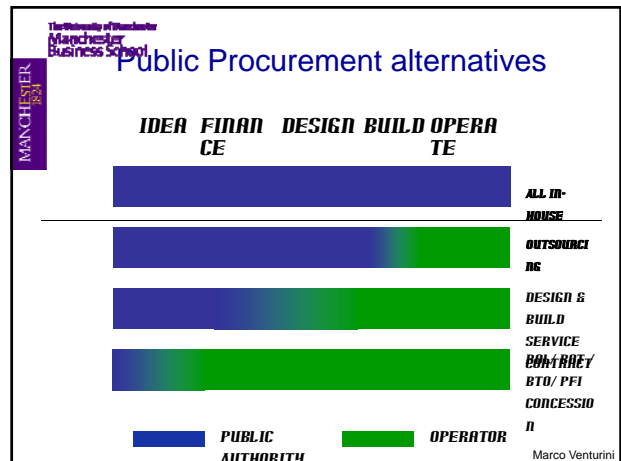
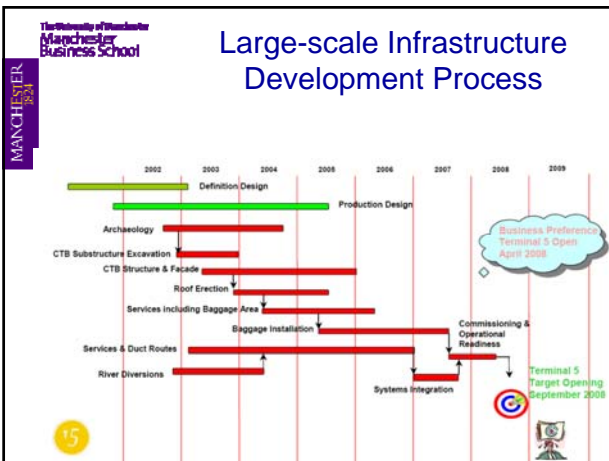
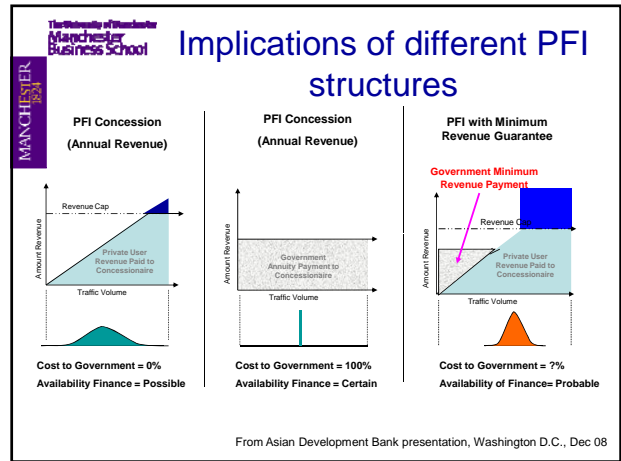
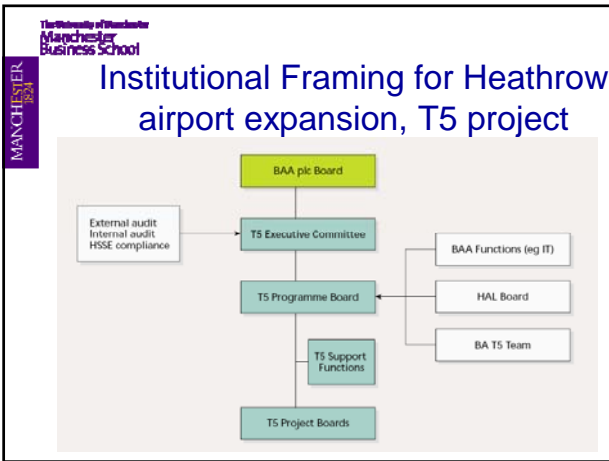
BAA's Capital Investment Plan

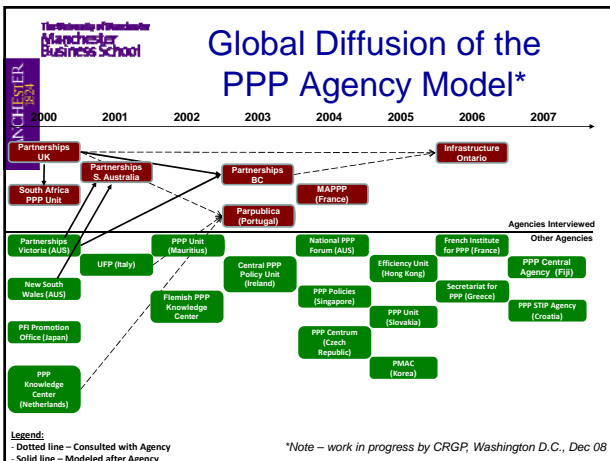
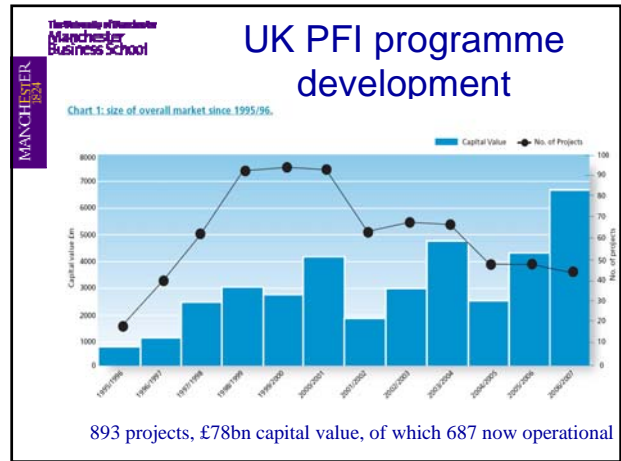
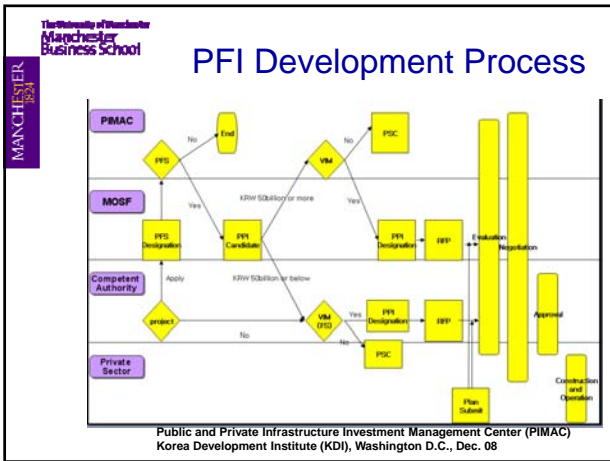
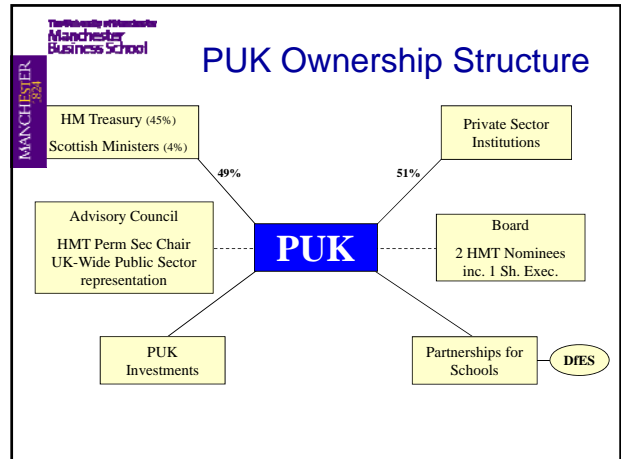
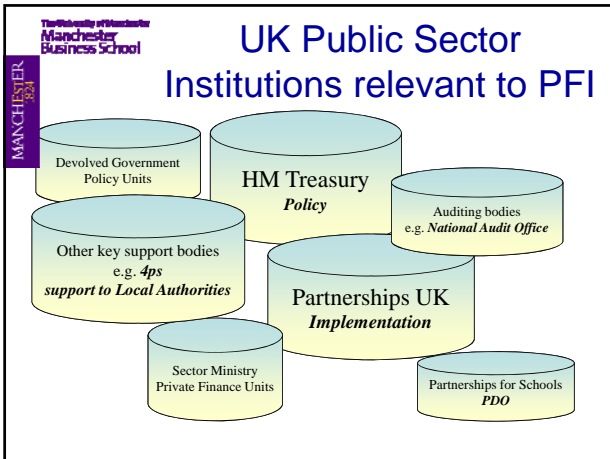
TABLE 9.6 BAA's capex programme at constant 2002 prices

£ million, 2002 prices

	Q3		Q4		Q4		Q5	Total
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2003/04-2007/08	2008/09-2012/13
HAL								
T5	275.1	560.6	621.4	678.7	512.2	522.3	2,896.3	414.2
Other specified projects	296.8	268.9	221.0	246.1	233.7	229.1	1,166.8	1,179.7
Other	61.8	45.9	44.1	67.1	70.6	71.9	305.5	294.5
Slippage	-38.5	-25.0	-25.0	-30.0	-40.0	-50.0	-170.0	-140.0
Total	595.1	851.4	861.5	962.0	776.5	773.2	4,224.6	1,738.3
GAL								
Specified projects	17.0	58.6	72.5	88.5	115.8	128.4	463.8	375.9
Other	27.0	27.1	23.7	10.7	9.8	15.5	86.7	35.5
Slippage	-4.0	-8.0	-8.0	0.0	0.0	0.0	-17.0	0.0
Total	40.0	77.7	87.2	99.2	125.6	143.9	533.5	411.5
STAL								
Specified projects	37.7	42.5	55.8	40.3	25.2	51.8	215.5	274.8
Other	7.3	6.2	9.1	18.4	3.7	33.2	70.6	15.6
Slippage	-5.0	-14.0	2.0	0.0	0.0	0.0	-12.0	0.0
Total	40.0	34.7	66.9	58.7	28.9	85.0	274.2	290.4
All London airports	675.1	963.8	1,015.6	1,119.9	930.9	1,002.1	5,032.3	2,440.2

Source: BAA.

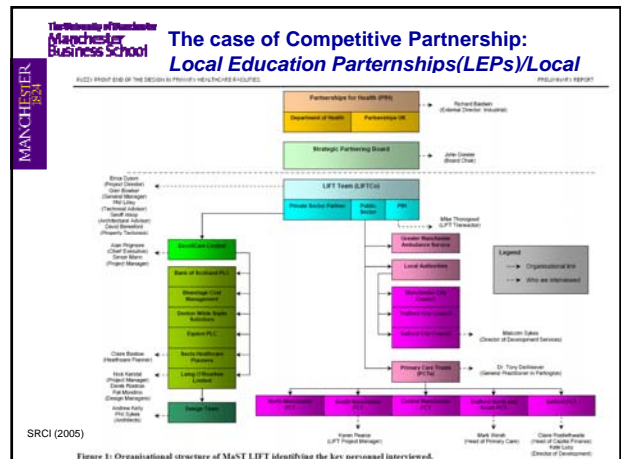
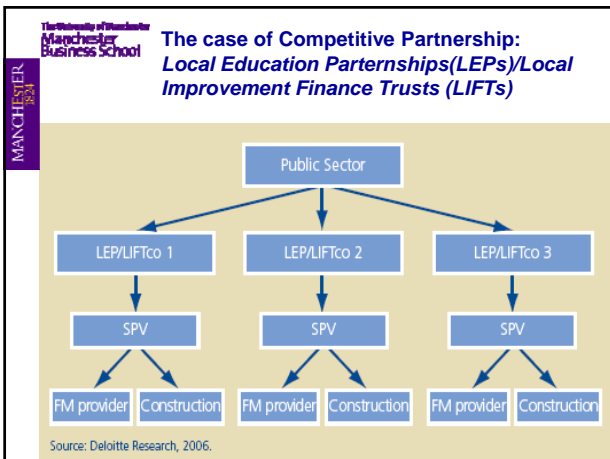
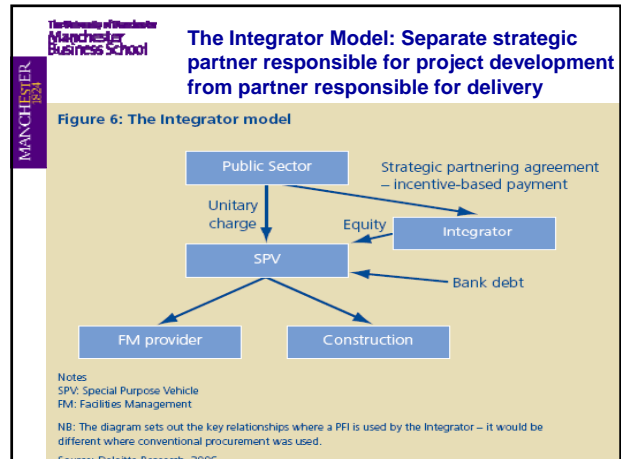
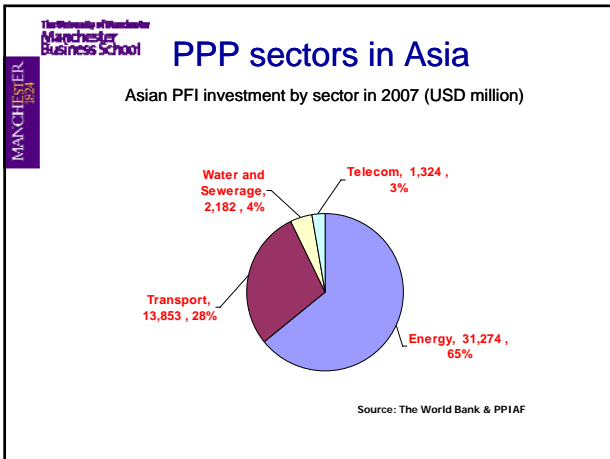
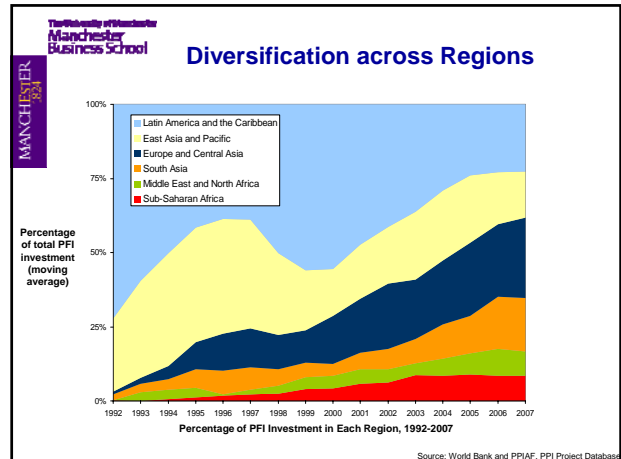
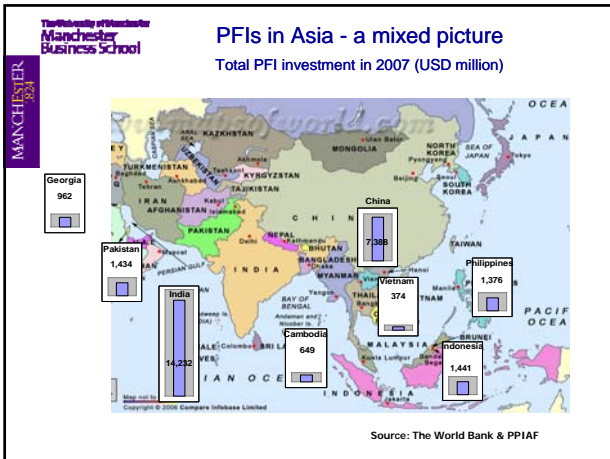


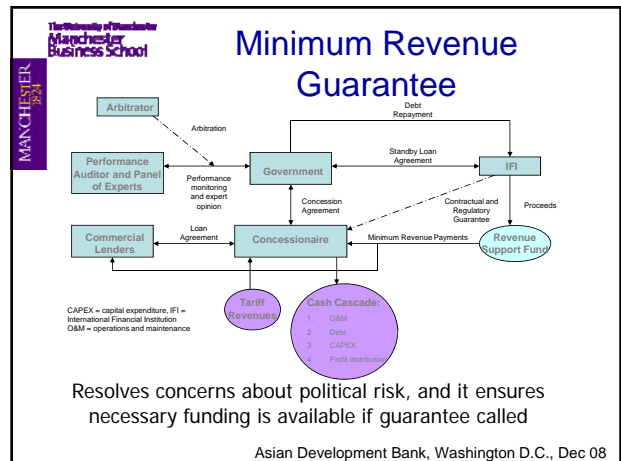
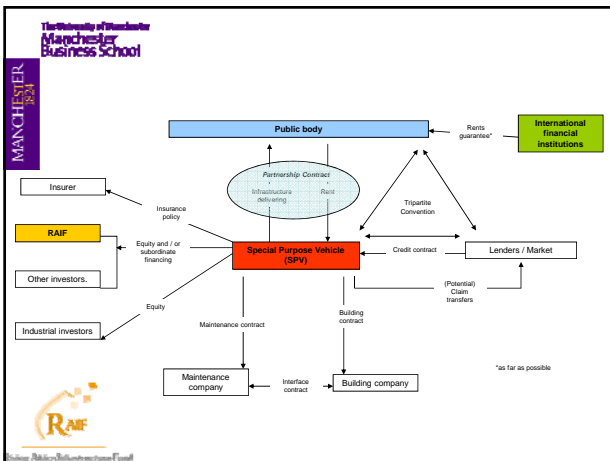
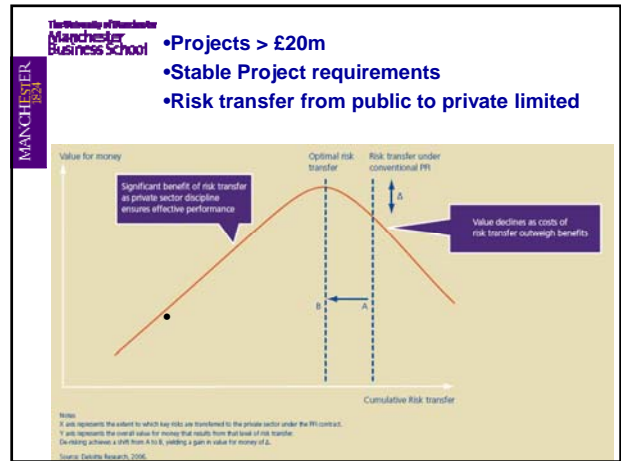
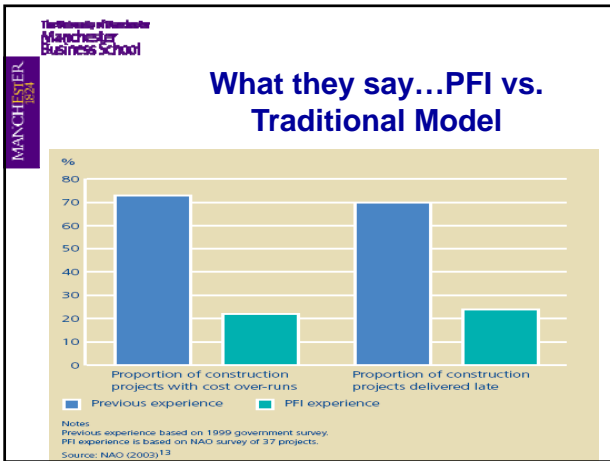
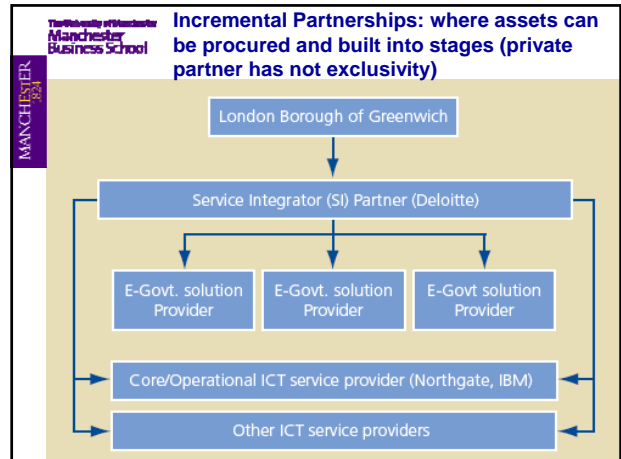
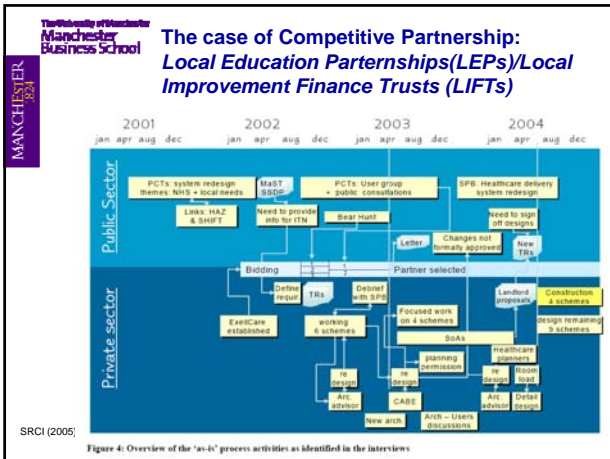


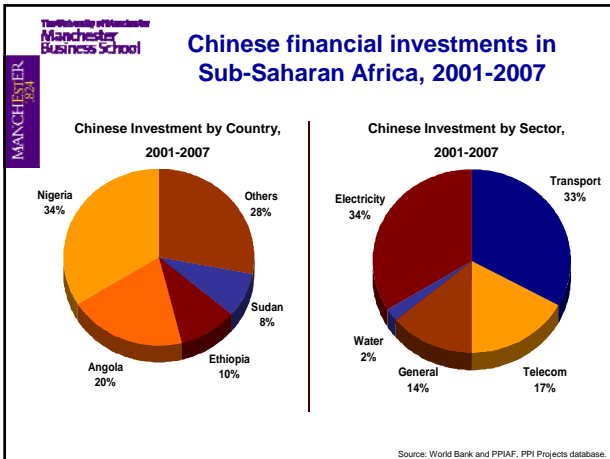
Approximate Size of Various Programs

	Value of Deals (\$B)	Number of Deals
UK Highways Agency	\$158.0	846
Infrastructure Ontario	≥\$6.0	40+
MAPP	\$5.8	147
Parpublica	\$10.2	49
Partnerships BC	\$4.5	23
Partnerships Victoria	\$5.5	17
Partnerships UK	\$61.7	450
South Africa PPP Unit	\$4.5	18
Total	\$256.2	1590

*Note - work in progress by CRGP, Washington D.C., Dec 08







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- ### What's next?
- The cost of flexibility as external environment changes
 - Infrastructure design for 'future-proofing'
 - Building option fees in public procurement contracts
 - Infrastructure funds

