

Funding infrastructure projects

A presentation to IPART

Regulation & Reform: IPART after 20 years



**INFRASTRUCTURE
PARTNERSHIPS
AUSTRALIA**

BUILDING AUSTRALIA TOGETHER

**10 August 2012
Brendan Lyon
Chief Executive**

About IPA



- Peak industry body (since December 2005)
- Policy reform and priority project focus
- 150+ members (both public & private)
- National advocacy and research

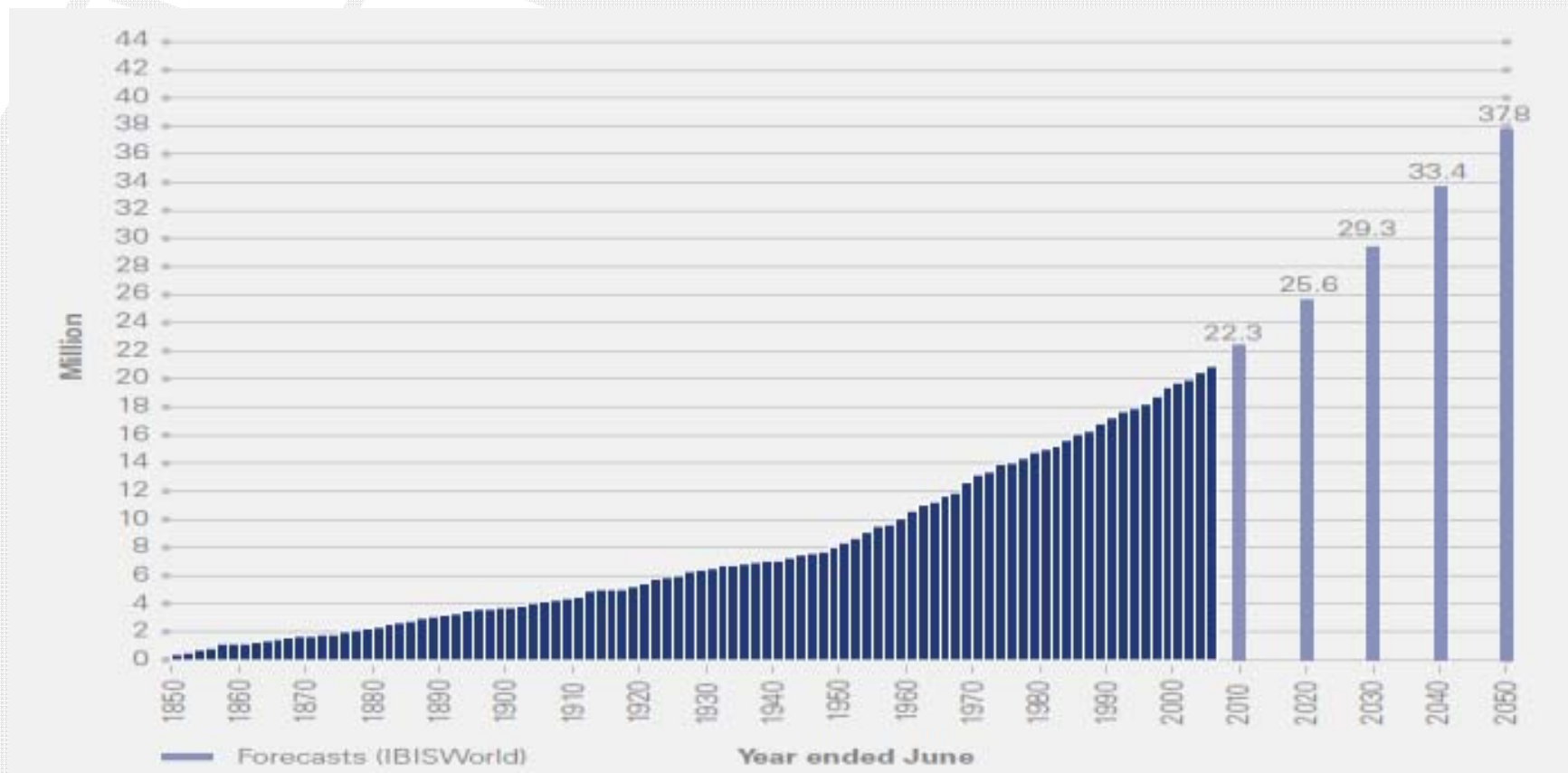
Further information: www.infrastructure.org.au

A broad sector overview



Rapid population growth

Population Projections to 2050 – Medium Growth



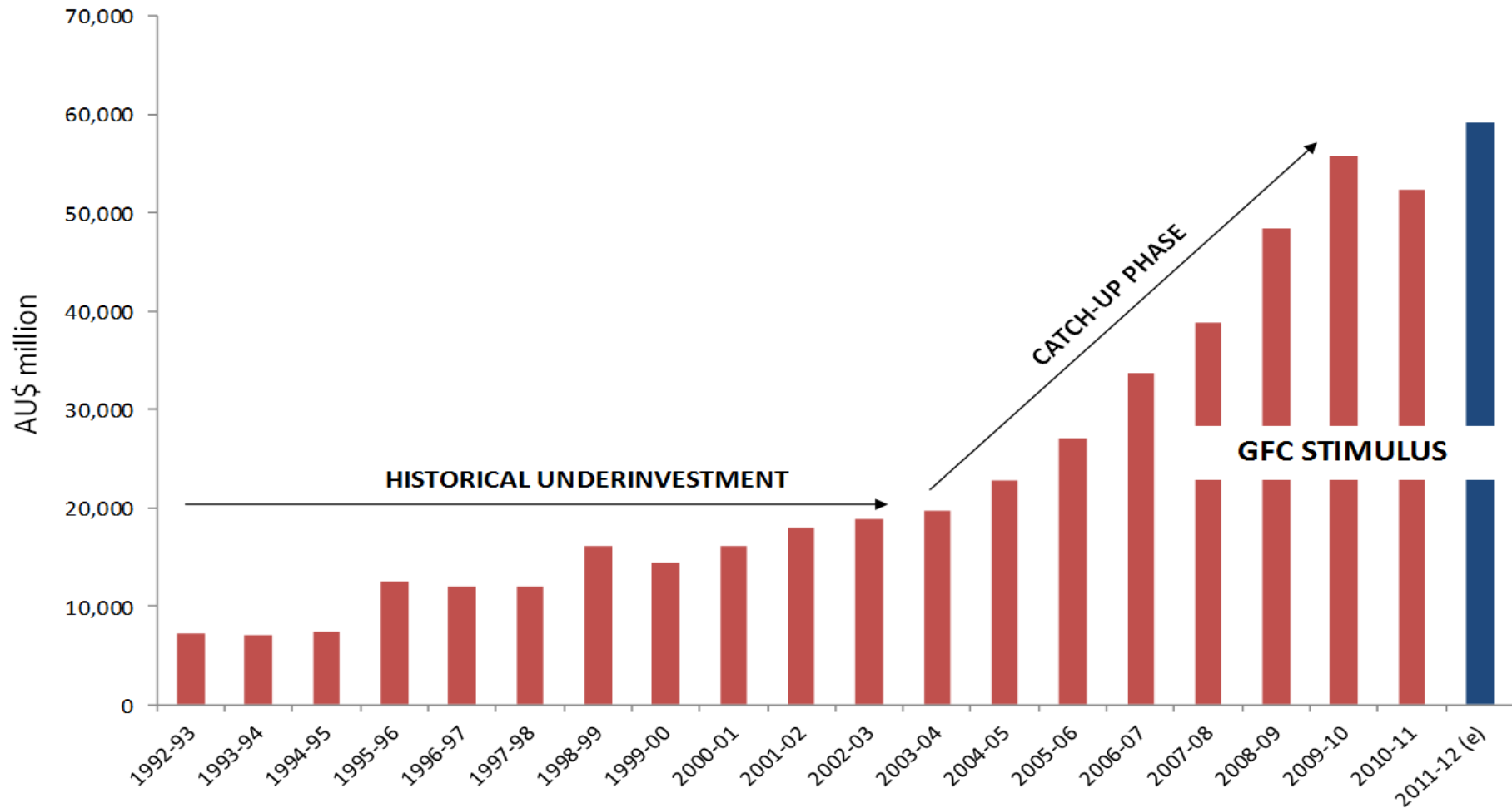
Source: IPA/IBIS World (Meeting the 2050 Freight Challenge)

Investment Task

- RBS - \$455 billion
- ANZ - \$600 billion
- IPA study - \$700 billion
- Citigroup - \$770 billion

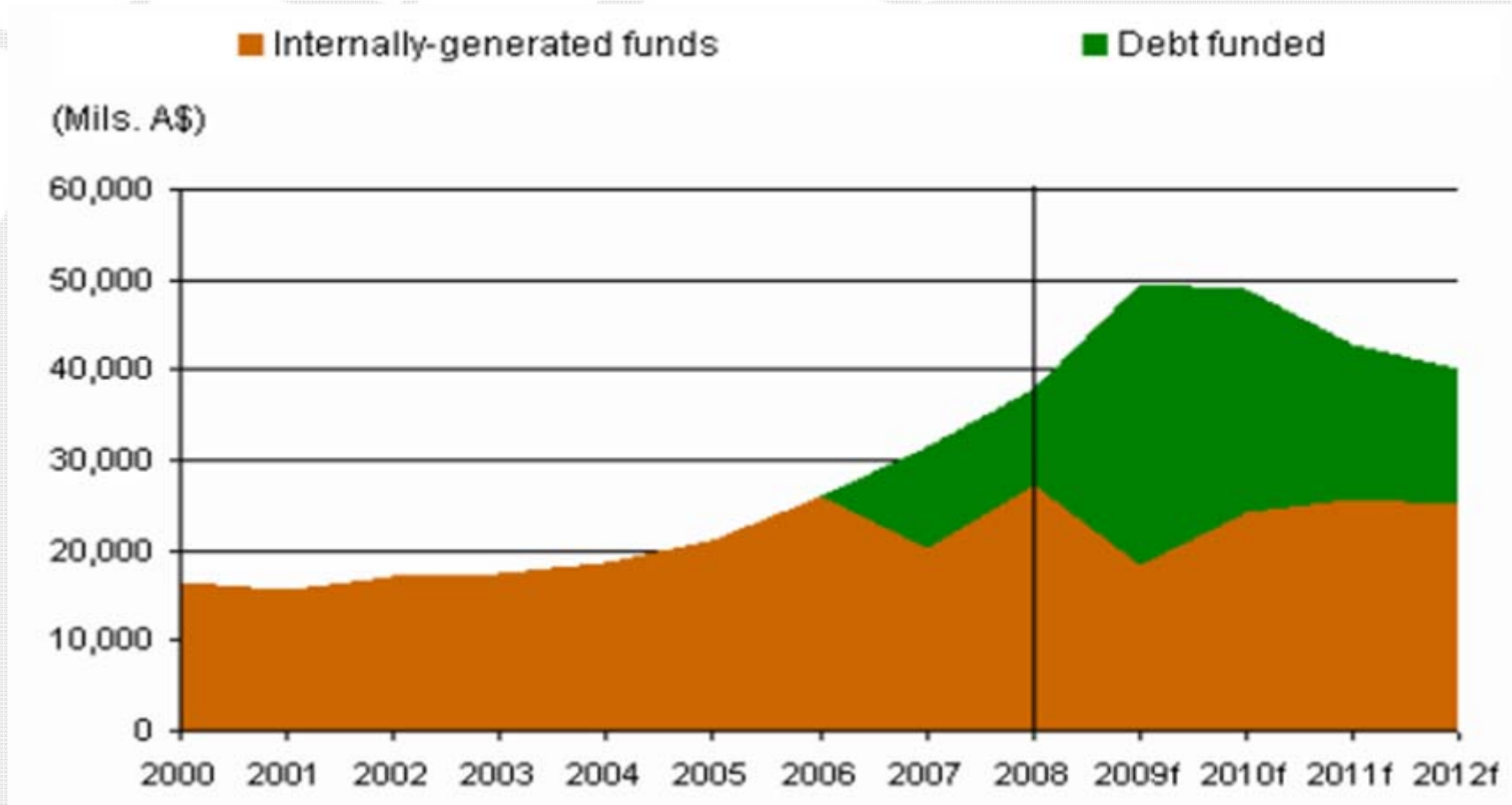


Public investment has grown



Source: IPA calculation based on ABS data, 2012

But it's not sustainable...



Source: Standard & Poors 2009

There is limited capacity

Balance Sheet Capacity - Standard & Poors' AAA (\$ Millions)



Source: IPA analysis

Brownfield Opportunities

- ✓ Generational opportunities – electricity/ports/water
- ✓ Positive steps - including NSW asset utilisation taskforce
- ✓ Demonstrated success – VIC, SA and recently NSW



Privatisation to date....

Recent privatisations	Price
QR National (2010) (QLD)	\$4.6 billion
Queensland Motorways (transferred to QIC – 2010) (QLD)	\$3 billion
Sydney desalination plant (NSW)	\$2.3 billion
Port of Brisbane (2010) (QLD)	\$2.3 billion
Abbot Point (2010) (QLD)	\$1.8 billion
Forestry Plantations Qld (QLD)	\$603 million

And a substantial pipeline

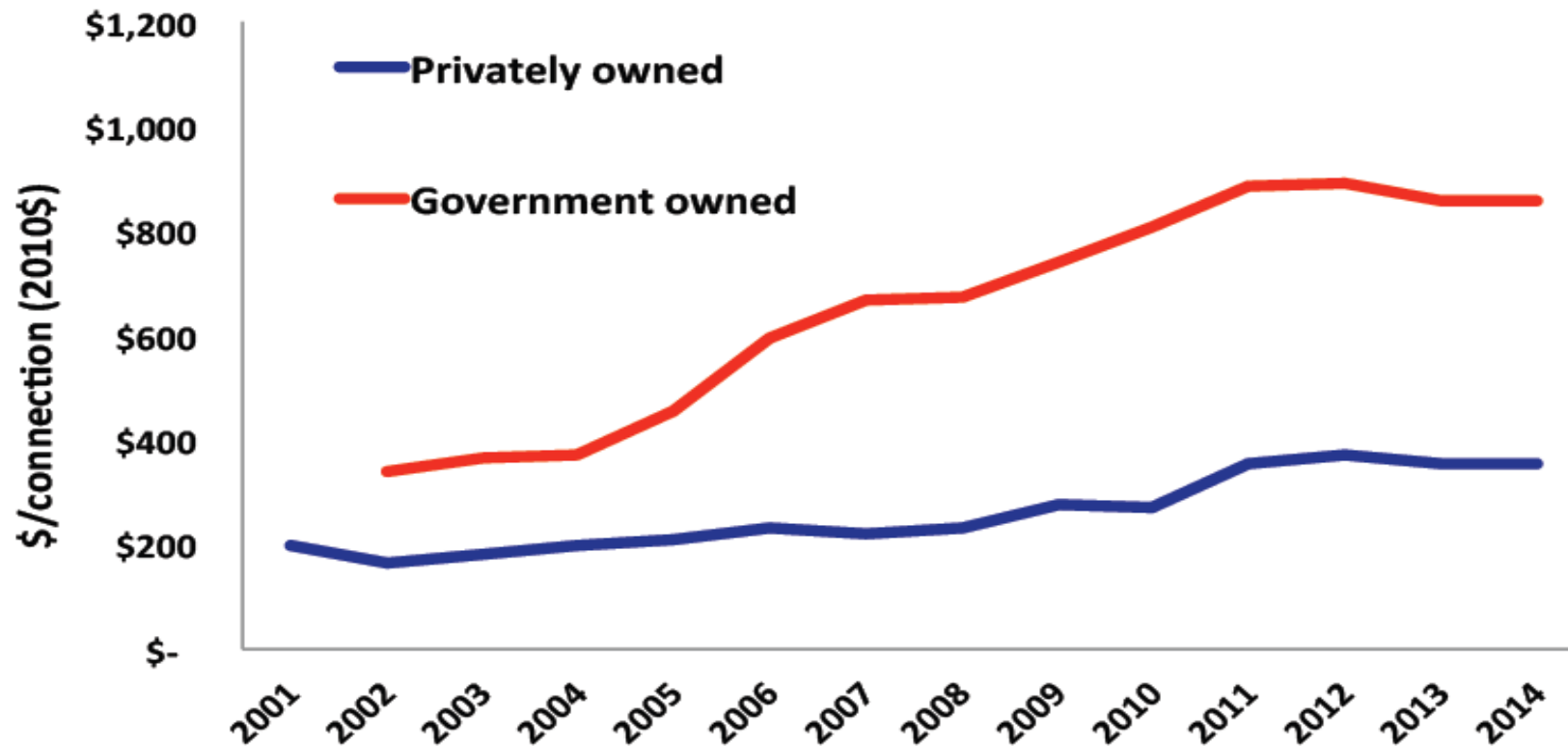
Announced & Expected privatisations	Estimated Price
NSW electricity generation (announced, Nov 2011)	\$3.3-\$6.5 billion
Port Botany (NSW)	\$2-3 billion
South Australian Forests (SA)	\$600 million (In market)
Aurora Energy Retail (announced May 2012)	\$270-\$326 million
Port Kembla (NSW) (announced 2012-13 Budget)	\$400m-500m
Tolled road corridors (NSW)	Unknown
Port of Newcastle (NSW)	Unknown
WA Forests	Unknown
Forests NSW	Unknown

Electricity in focus

Publicly-owned electricity assets	Estimated sales value	Investment task	% of total state capital spend
NSW transmission & distribution	\$29 – 34 billion	\$15 billion over four years	24 per cent
QLD retail, generation & transmission & distribution	\$41 – 47 billion	\$8.3 billion over three years	22 per cent
TAS generation & transmission & distribution	\$6.3 – 7.6 billion	\$535 million over five years	n/a

Allocative efficiency

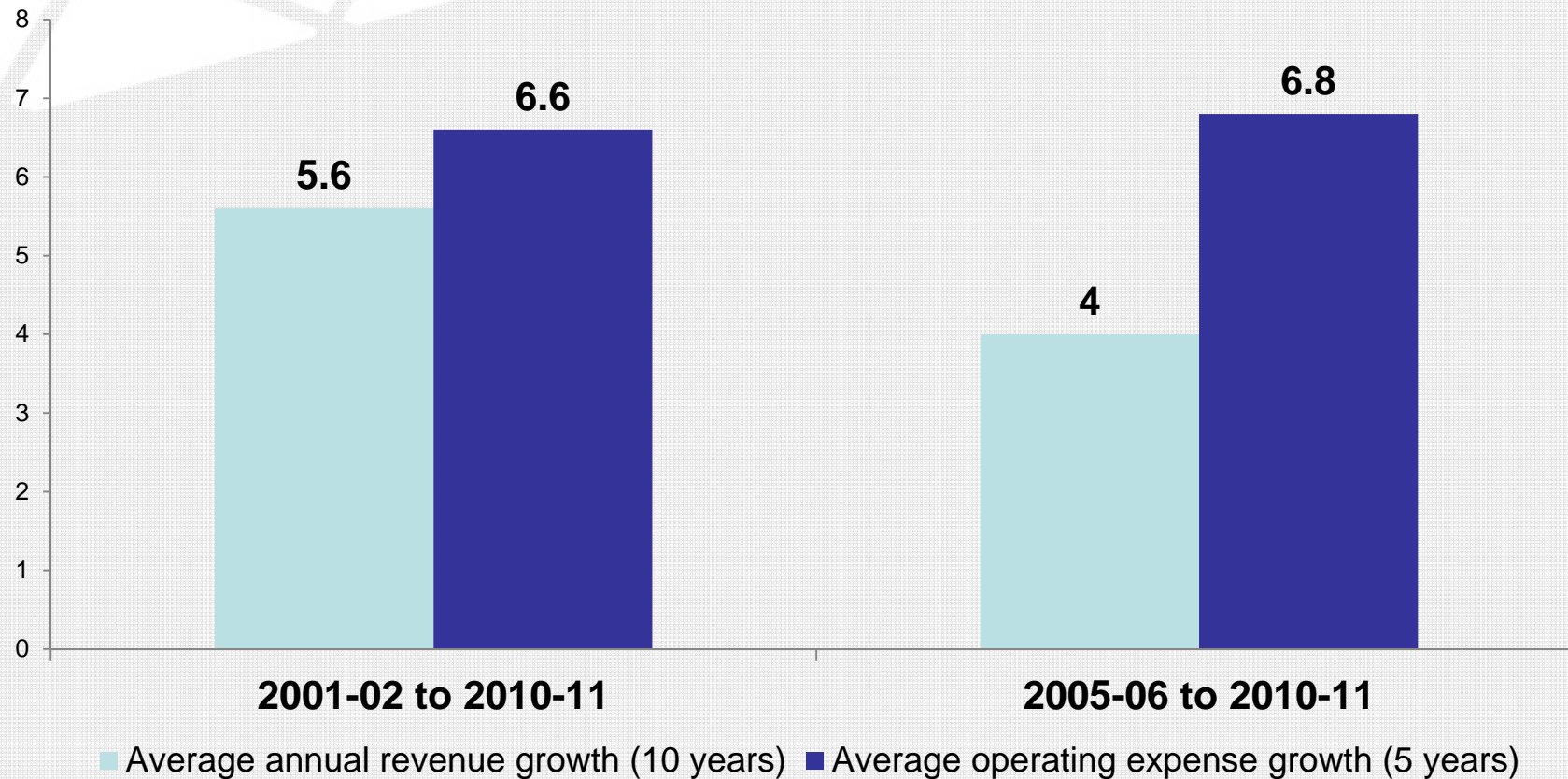
Electricity network capitalised expenditure 2001 to 2014 (\$ per connection)



Source: EUAA, 2011

Balance sheet reform

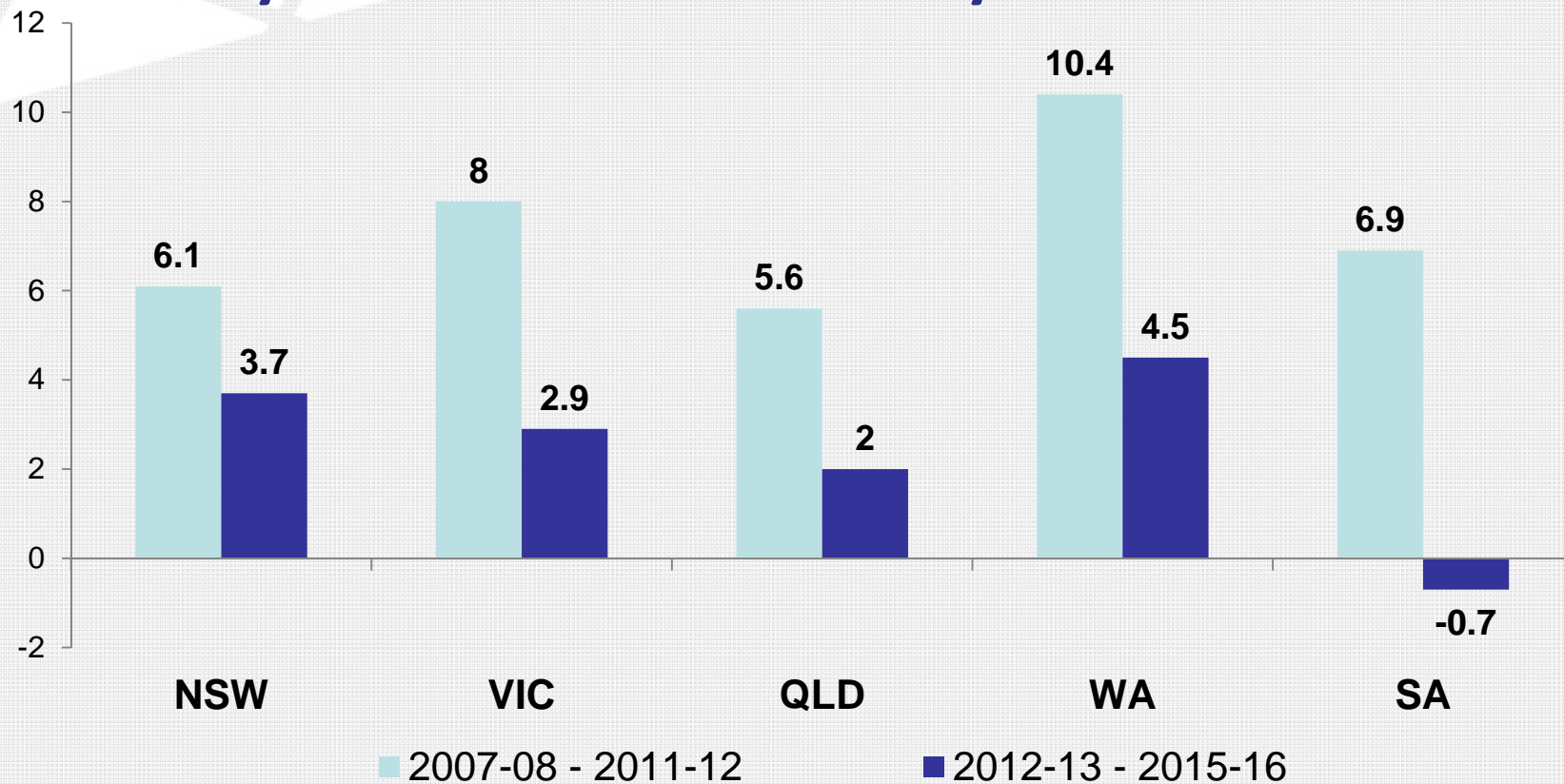
Average annual revenue & operating expense growth (across all levels of government) (per cent)



Source: IPA analysis based on ABS data

Positive signs

Average annual operating expense growth – four years to 2011-12 & four years to 2015-16



Source: IPA analysis based on state budget papers

Revenue measures

- ✓ User-pays & value capture – rational & equitable revenue mechanisms
- ✓ Assist to positively influence demand and behaviours
- ✓ Complex but critical to successfully building funding capacity



Closing remarks

