The Long Term Equity Investor's Perspective on PPPs in NZ

Morrison & Co Public Infrastructure Partnership Fund
Construction Clients Group
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Introducing the Morrison & Co PIP Fund

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- The Public Infrastructure Partnership Fund (PIP Fund) has been established to invest in the development of NZ's social infrastructure
  - The NZ Superannuation Fund has committed $100m equity as cornerstone investor
  - We recently launched the NZ Social Infrastructure Fund, which allows community trusts, charities, Iwi and retail investors to invest alongside the NZ Super Fund
  - The PIP Fund currently has ~$500m of investment capacity, intention to expand this to $1.0-1.5b by final close

- The Partnership will target infrastructure projects in the $30-200m bracket
  - Can invest in a broad range of social infrastructure assets

- Open to greenfield PPPs along with brownfield assets and secondary market transactions
  - Core focus on NZ market, but will consider Australian transactions

What is Social Infrastructure?

The Public Infrastructure Partnership Fund

Social Infrastructure	Target Sectors	
Infrastructure assets that **accommodate social services** that are predominately **delivered by Government entities**	**Education**	• Schools • Tertiary facilities and student accommodation
	Health	• DHB facilities • Ancillary infrastructure (e.g. offices, carparks, training)
	Housing	• Development of new social housing or redevelopment of existing social housing assets for Central or Local Government agencies
	Corrections	• New prisons and extensions of current facilities • Mandate precludes operation of prisons by PIP Fund
	Transport	• Transport-related infrastructure (e.g. rail stations, park and ride) • Availability-based rail and road projects (not demand risk Toll Roads)
	Defence Force	• Defence Force housing • Defence Force infrastructure
	Local/ Regional	• Water and transport infrastructure (e.g. rail stations) • Rural Irrigation • Community facilities (e.g. events centres)

PPPs as a Delivery Model for Social Infrastructure

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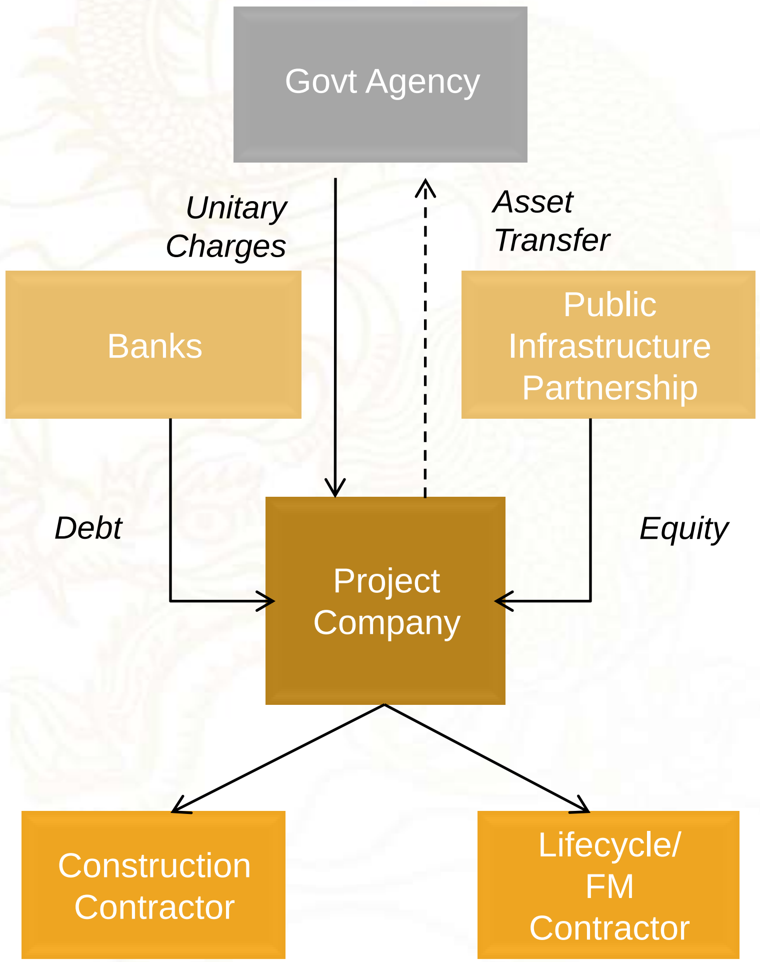

- Government agency identifies high priority projects and develops an output specification
- Consortia form to bid for the project (design, construction, maintenance, equity, debt)
- Government agency contracts to pay the successful bidder a unitary charge for the provision of the required infrastructure
  - Payments fixed pre-construction
  - No payments until the asset is operational
  - Ongoing payments conditional on meeting availability and quality KPIs
- Infrastructure assets transfer to government ownership at the conclusion of the concession period

Why Do PPPs Make Sense for Government?

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- Increases the proportion of projects delivered on time and in budget
- Transfers project and lifecycle risk from the government
- Creates commercial incentives for more effective management of cost, risk and availability
- Enables public sector administrators to focus on provision of social services, rather than managing capital works and maintenance

  e.g. UK studies have shown that educational performance rises in PPP schools where Heads and teachers can focus on teaching

- Establishes a significant new capital source for key infrastructure projects
  – Supports Government's infrastructure programme and provides economic stimulus in depressed sectors
- Enables private sector co-investment in infrastructure

The NZ PPP Project Pipeline

- National Infrastructure Unit established as PPP ‘deal broker’
  - PPP Procurement Guidelines
  - National Infrastructure Plan

- First potential Central Government PPP projects have been announced
  - Wiri Prison
  - Schools

- Expect to see further PPP projects emerge following initial announcements
  - Central Government (e.g. health, social housing, transport)
  - Local Government (e.g. water, community facilities)
  - Universities & Polytechs