

Infrastructure Outlook in APEC

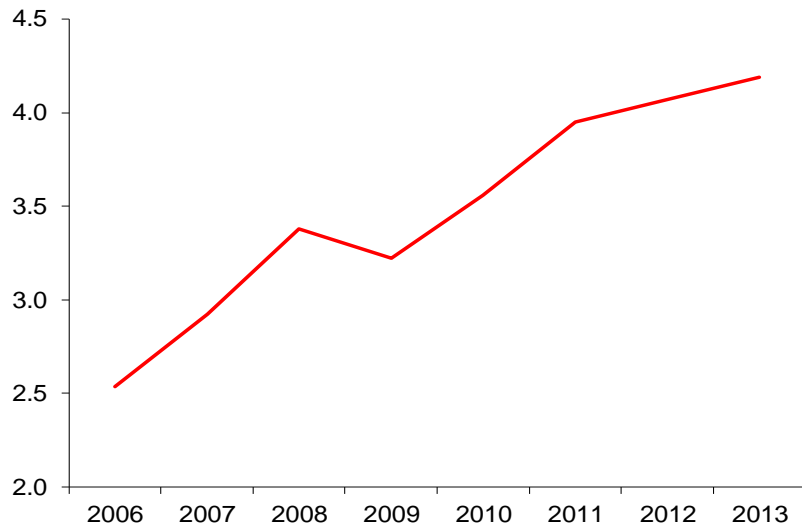
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December
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Infrastructure: spending is expected to accelerate significantly over the next decade

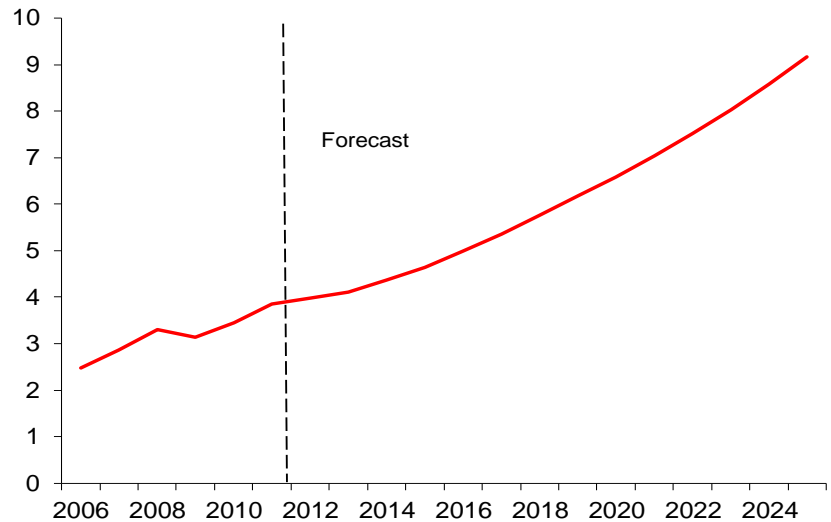
- Spending for capital projects and infrastructure has begun rebounding
- Worldwide - a \$9 trillion per year by 2025
- a total spending of \$78 trillion between now and 2025

\$ trillions, current prices



Source : Oxford Economics/Haver Analytics

\$ trillions, current prices

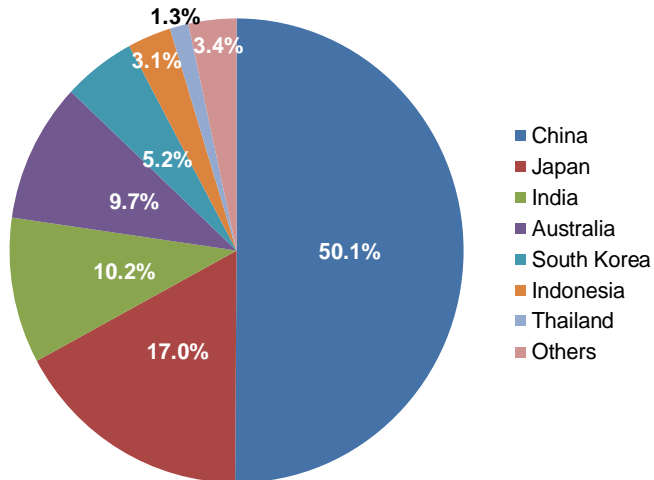


Source : Oxford Economics/Haver Analytics

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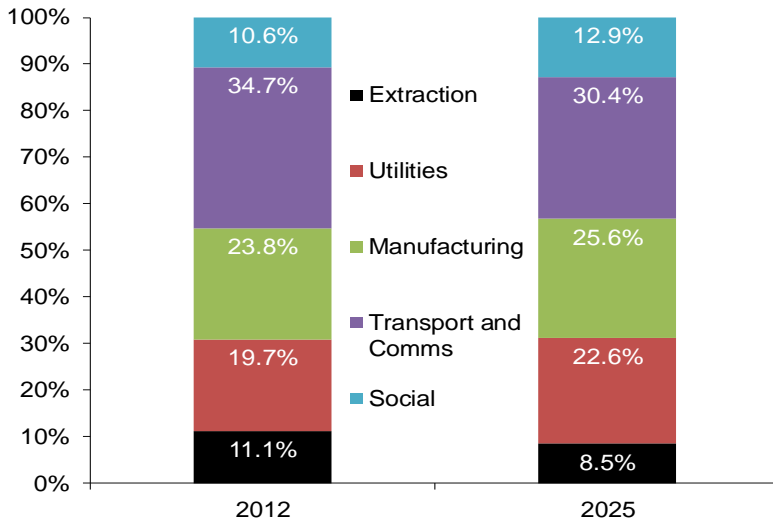
Asia – the main driver for spending growth

Percent of regional infrastructure spend



Source : Oxford Economics/Haver Analytics

Percent of total infrastructure investment



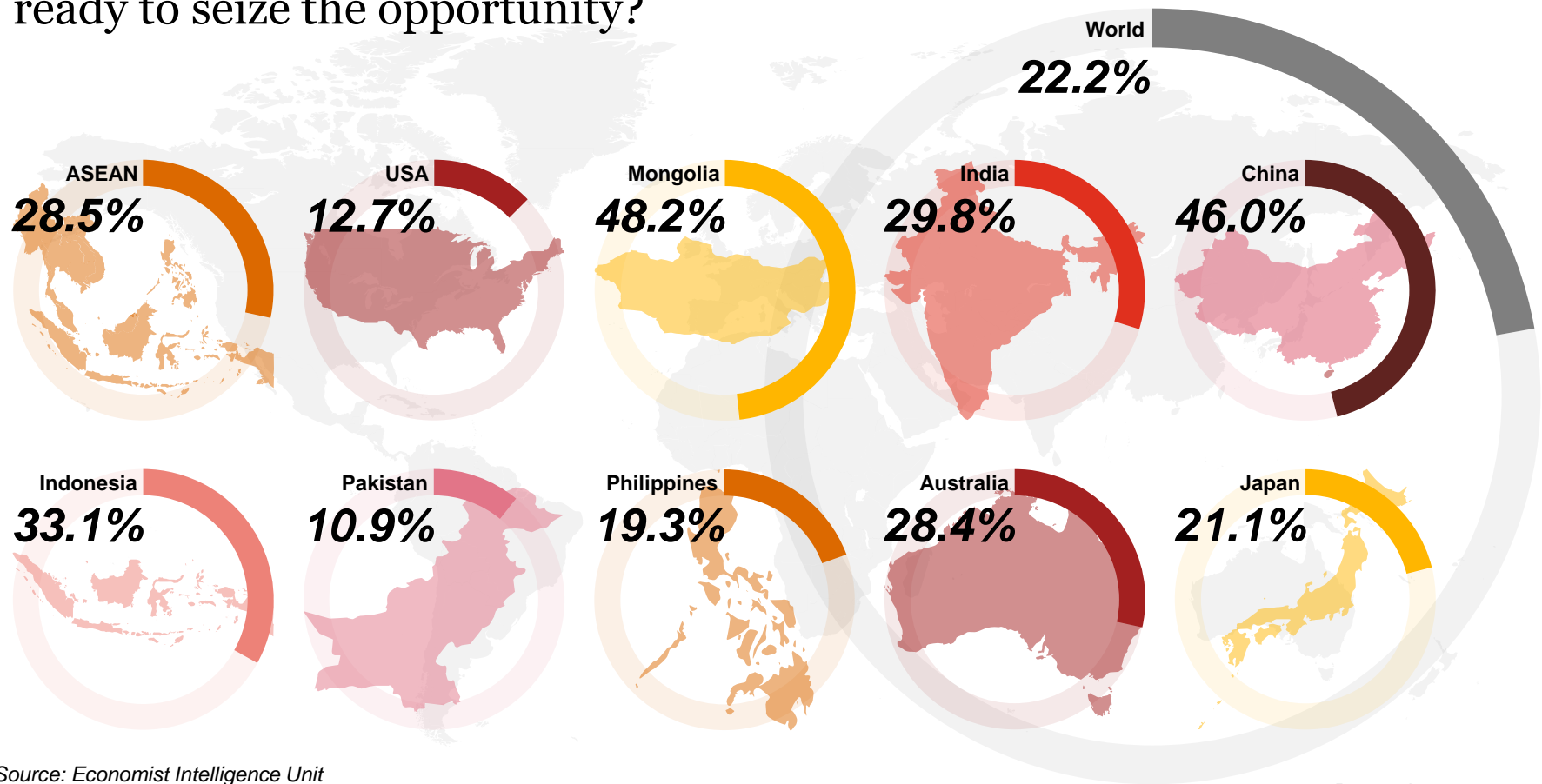
Source : Oxford Economics/Haver Analytics

- Overall, the Asia-Pacific infrastructure market will grow by 7% to 8% a year over the next decade, approaching US\$5.3 trillion by 2025.
- Government is a key driver of all infrastructure spending.
- How infrastructure is planned and financed is important.
- Time to adopt a regional perspective.

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Infrastructure investment: A regional perspective

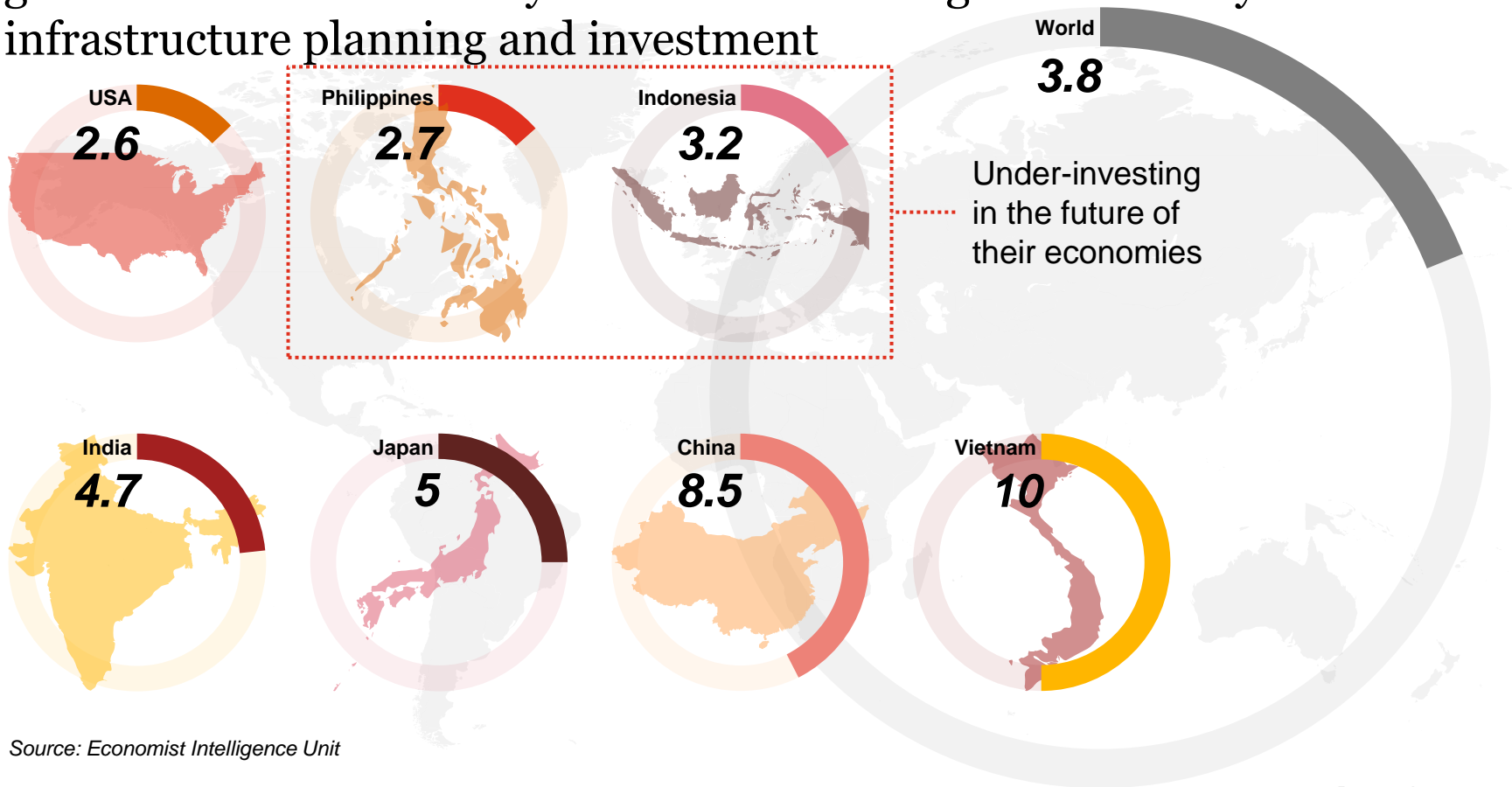
Fixed asset investment as % of GDP (2012) - Are APEC economies ready to seize the opportunity?



Source: Economist Intelligence Unit

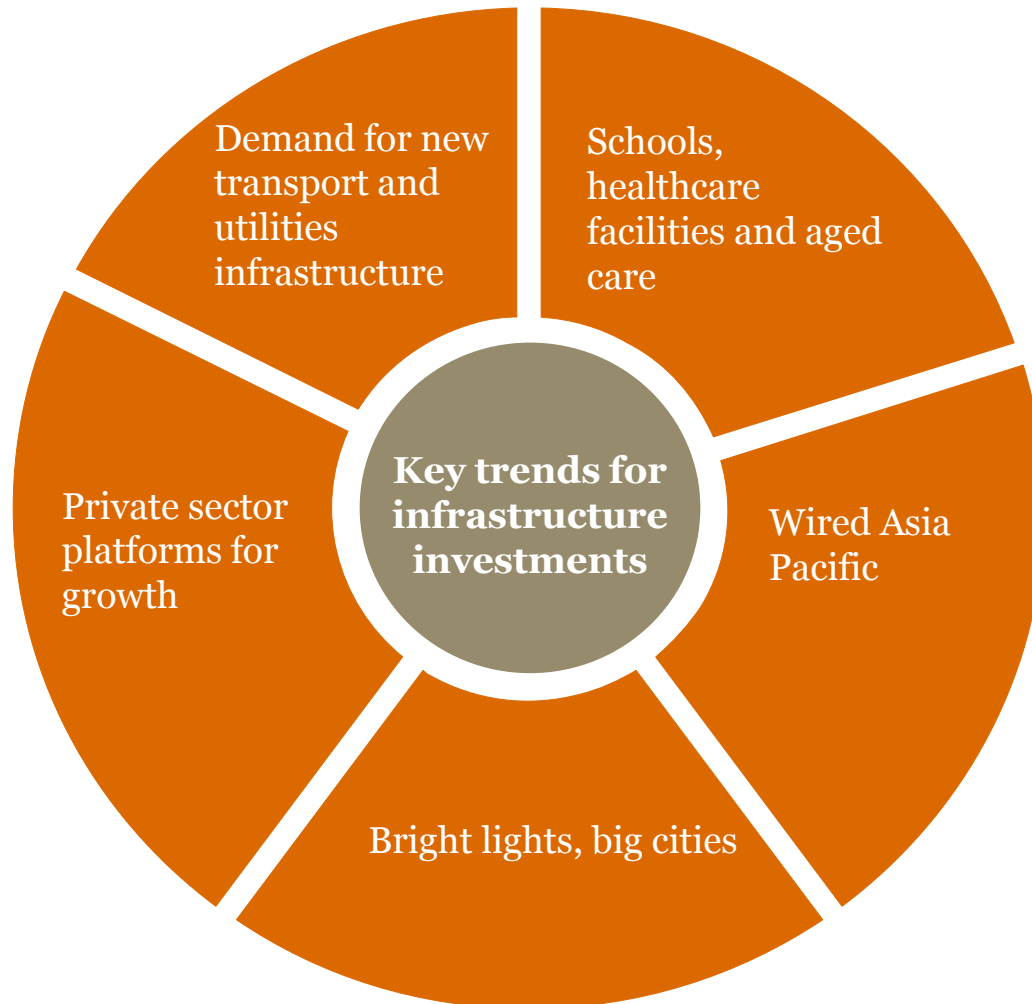
ASEAN economies still under-invest in their future

Infrastructure investment as % of GDP (latest data available) - governments remain a key driver to facilitating the necessary infrastructure planning and investment



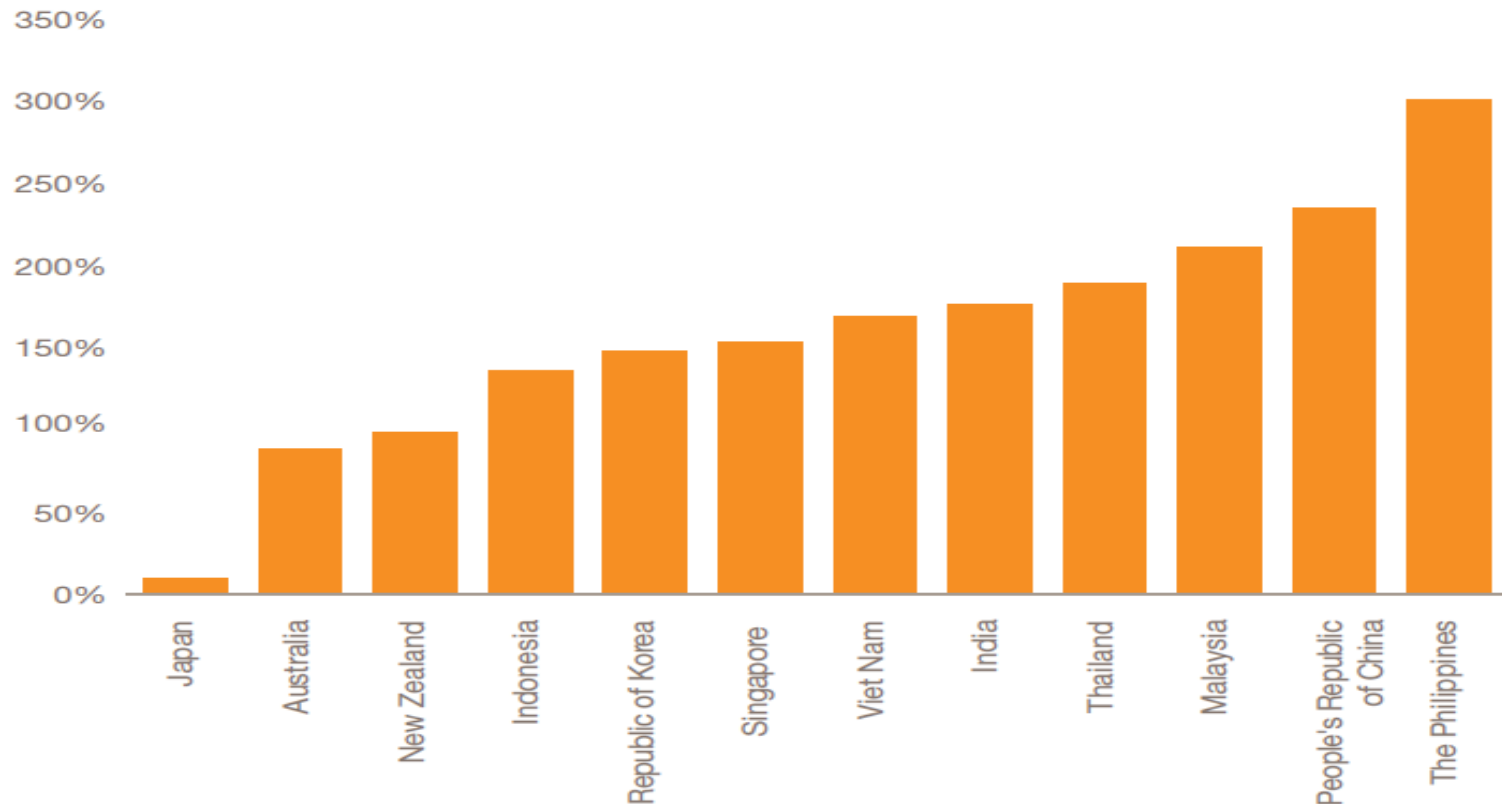
Source: Economist Intelligence Unit

Five trends you should know about Asia-Pacific infrastructure development



Demand for new transport & utilities infrastructure

Percentage growth in annual \$ road investment, 2025 versus 2010

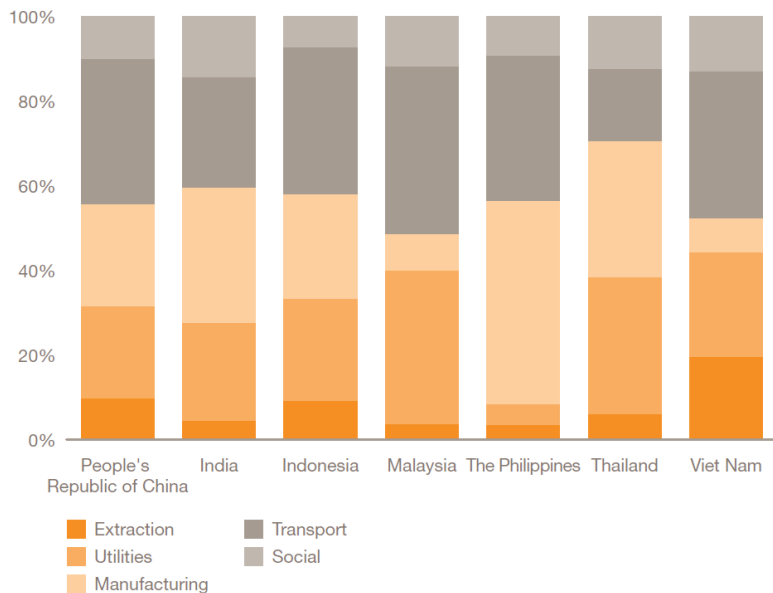


Source: PwC and Oxford Economics. *PwC's Capital project and infrastructure spending: Outlook to 2025, research findings*, PwC, 2014

Schools, healthcare facilities and aged care

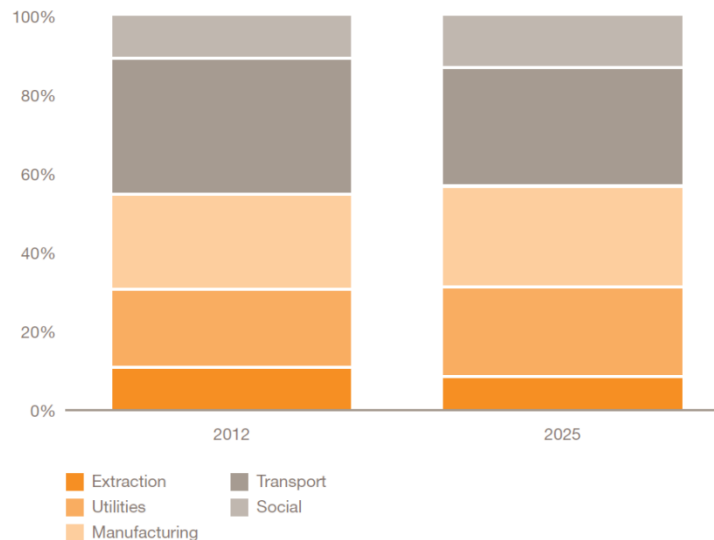
In emerging Asia, social investment contributes a much lower share of total infrastructure spending.

Percent of total infrastructure spending, 2013



Source: PwC and Oxford Economics. *PwC's Capital project and infrastructure spending: Outlook to 2025, research findings*, PwC, 2014

Percent of total infrastructure investment



Source: PwC and Oxford Economics. *PwC's Capital project and infrastructure spending: Outlook to 2025, research findings*, PwC, 2014

Wired Asia Pacific



The world's biggest e-commerce market is shifting to Asia and to China in particular.



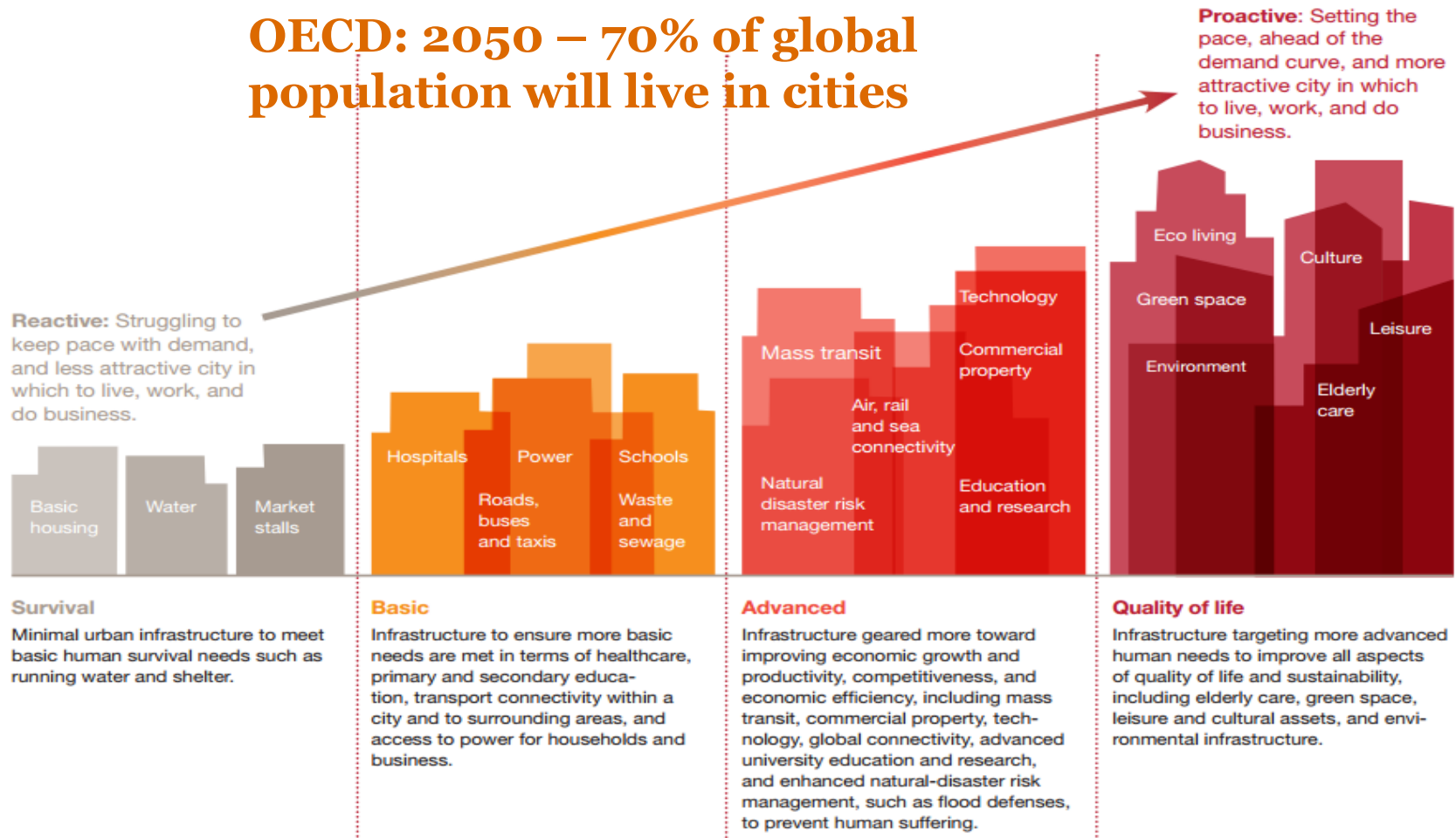
Much more room to grow the reach of mobile and broadband connectivity.

Bright lights, big cities

Four-stage urban infrastructure evolution

Where are the Cities of Opportunity positioned today in the evolution of urban infrastructure and what will future infrastructure demands be?

OECD: 2050 – 70% of global population will live in cities



Private sector platforms for growth

57%

of respondents are building or expanding facilities in APEC economies in the next 3–5 years

What are they building? In their own words...



Industrial

Assembly, manufacturing, chemical and paper plants



Operations/capacity

Air cargo, ports capacity, distribution centres, warehouses, office space, service centres



Consumer

Bank network, retail outlets, movie production, hotels, outpatient clinics, casinos, retirement village



Digital economy

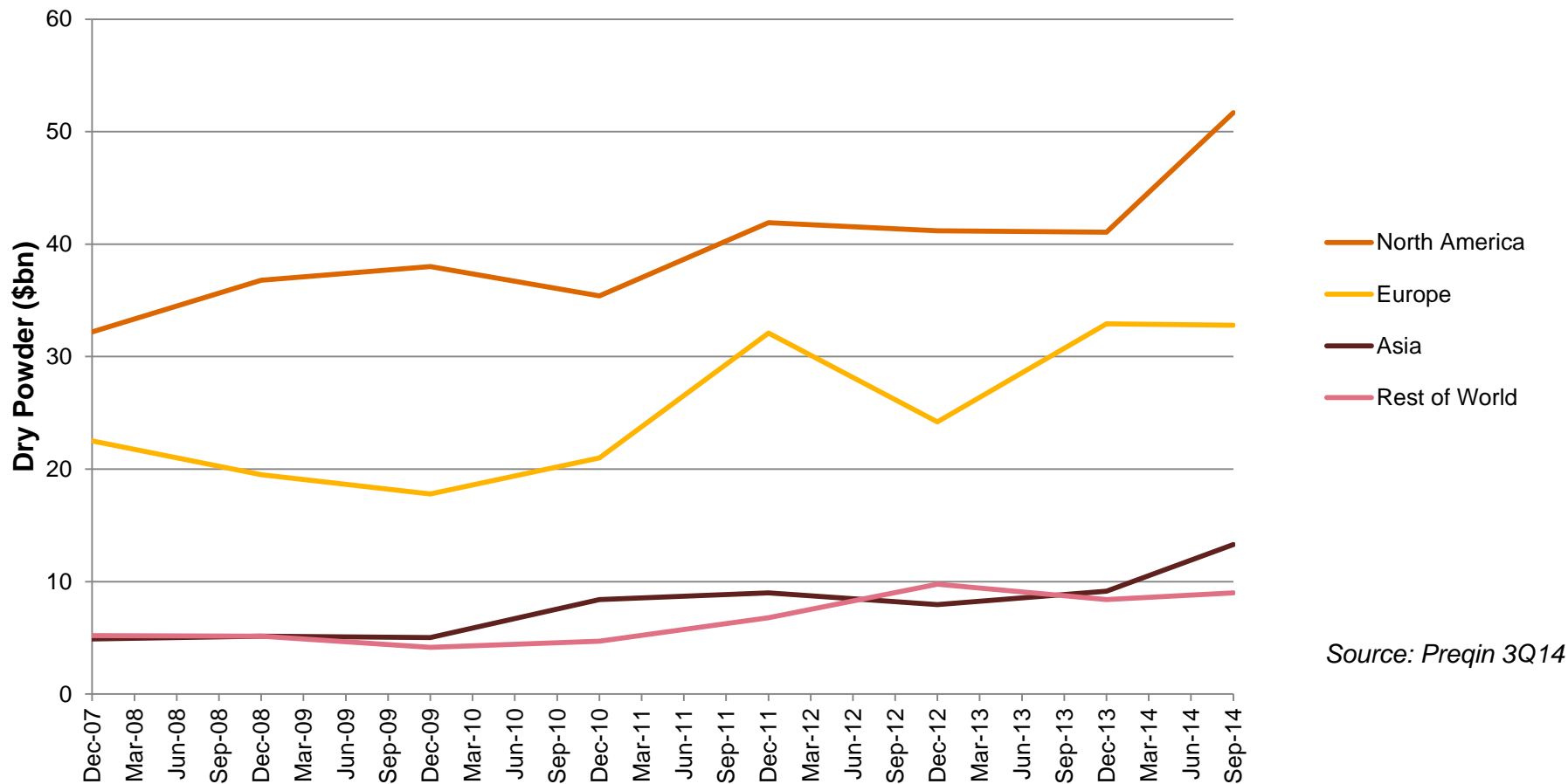
Data centres, communications infrastructure, automation and efficiency technologies



Basic material/power

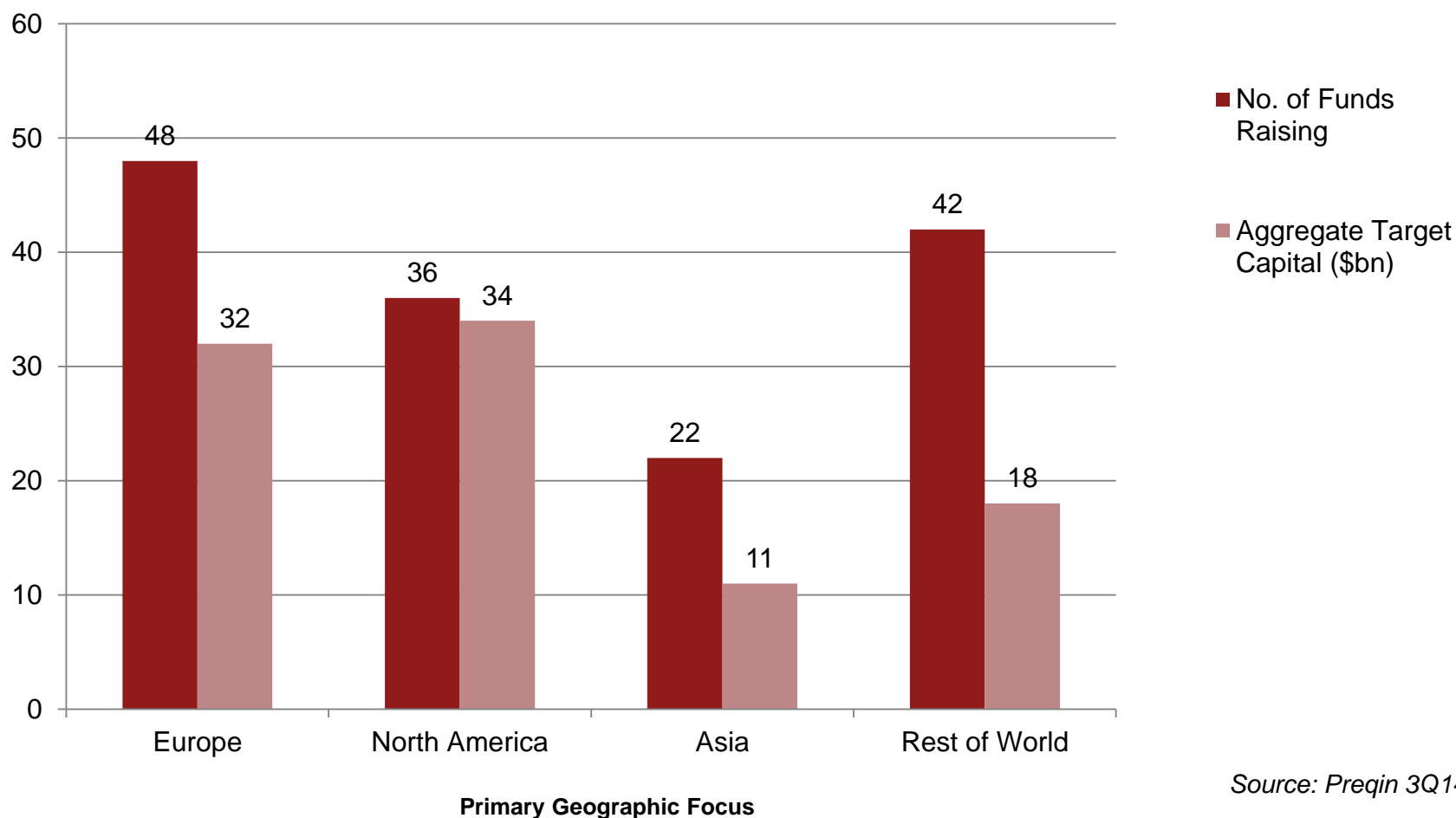
Bauxite mine, coal processing plant, gas production and flowlines, wind farms

Unlisted Infrastructure Dry Powder by Fund Primary Geographic Focus, December 2007- September 2014



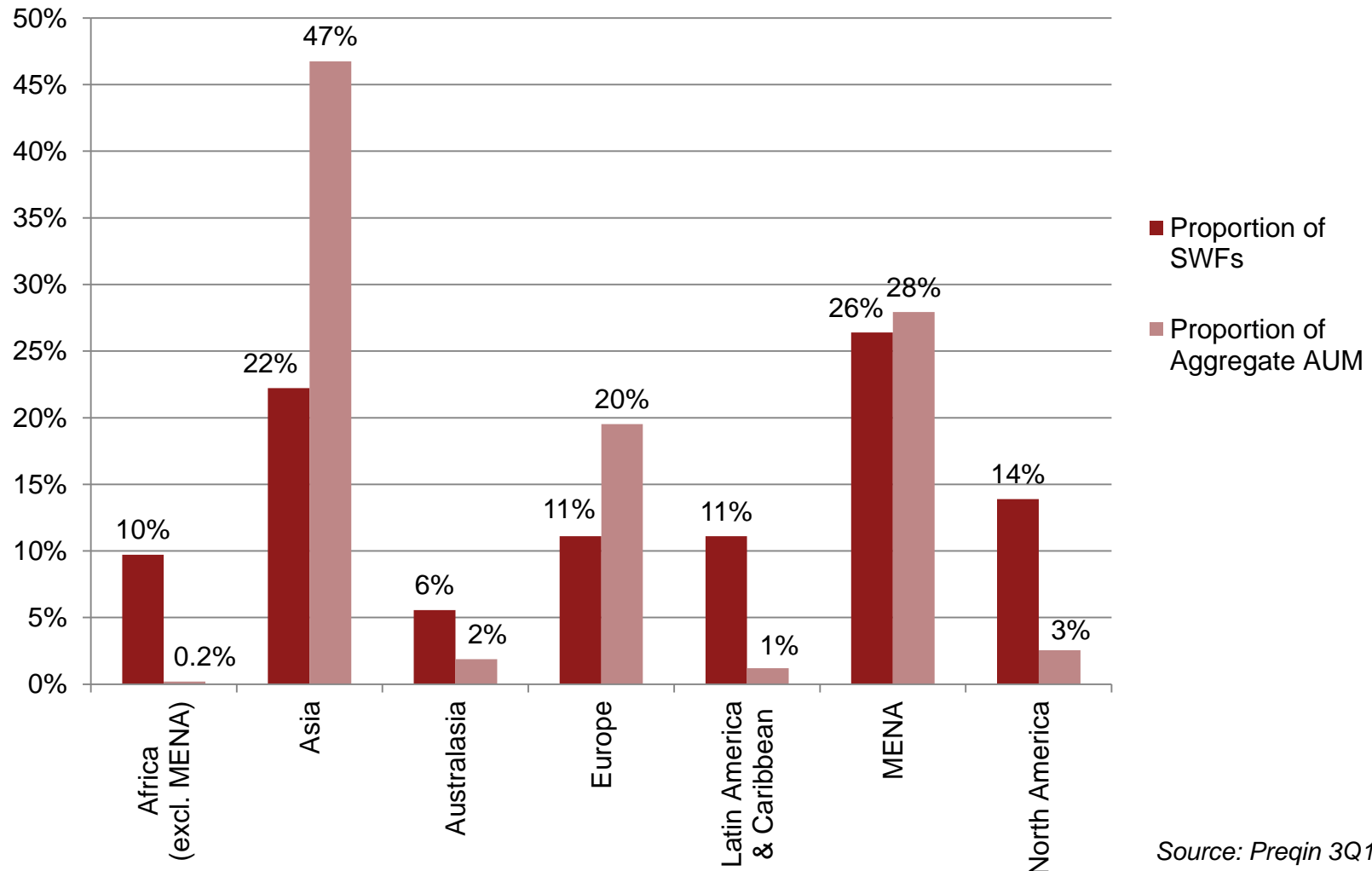
Source: Preqin 3Q14

Breakdown of Unlisted Infrastructure Funds in Market by Geographic Focus, Q3 2014



Source: Preqin 3Q14

Breakdown of Sovereign Wealth Funds by Region



Source: Preqin 3Q14

How inviting are the Asia-Pacific Economies for investment?

Ease of Doing Business Rankings for APEC Economies

(World Bank Group – June, 2014, rankings include 189 economies)



| | |
|------|-------------------|
| #1 | Singapore |
| #2 | New Zealand |
| #3 | Hong Kong |
| #6 | Republic of Korea |
| #7 | United States |
| #10 | Australia |
| #16 | Canada |
| #18 | Malaysia |
| #19 | Taiwan, China |
| #26 | Thailand |
| #29 | Japan |
| #35 | Peru |
| #39 | Mexico |
| #41 | Chile |
| #62 | Russia |
| #78 | Vietnam |
| #90 | China |
| #95 | Phillippines |
| #101 | Brunei Darussalem |
| #114 | Indonesia |
| #133 | Papua New Guinea |

APEC Economies in Top 10% of EODB Rankings

Singapore
New Zealand
Hong Kong
Republic of Korea
United States
Australia
Canada
Malaysia

The road ahead: the potential for public–private partnerships to spur infrastructure growth

Sustainable PPP programs

Allow process
to evolve

Encourage
development of
capital markets

Address
project issues
early

Maintain
program of
opportunities

Explore
alternative
financing
solutions

Continued
stakeholder
support

Procuring Successfully

Collaboration
between public
and private
sectors

Strong
stakeholder
support and
consistency

Balance
between risk
and return

Sustain
existing
sources of
private finance

Build
transactional
capacity

Project definition,
Feasibility and
Financing options

Capacity –
public and
private

Process for
approvals and
closure

Lay the Foundations

Leverage multi-
laterals

Stakeholder
consultation

Institutional
Certainty

Program
development
and
prioritisation

Focused
regulatory
change – eg.
Land
Acquisition

Global
precedent with
local application
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Optimal Conditions for Infrastructure Spending

Economic Factors

- National Vision – commitment, pipeline
- Macroeconomic stability and attractiveness
- Stable legal and regulatory frameworks
- Sustainable infra finance options
- Capacity to procure and develop
- Risk and return balance

• Social Factors

- Ethics and transparency
- Collaboration – public, private, civil society
- Willingness to pay – society
- Track record

• Environmental Factors

- Environmental regulation and permits
- Approach to addressing environmental risk
-

In Conclusion

- Infrastructure investment in Asia is both increasing and increasingly important
- The competitive advantage of nations will be in part reflected in their infrastructure capability
- Private capital is interested and available for infrastructure investment
- But the conditions must be right to attract capital, APEC can help

Thank you!

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