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Infrastructure (Transport) Forum –17/3/11 - minutes

In response to understanding the performance of infrastructure assets, there was a general discussion around asset classification and how this definition was far from universal. Some assets had performed better than others (roads vs airports vs ports) over the last three years, but no model had been defined to compare and contrast these. For the operators amongst the group, the focus was simply on what the position of the business was that drove investment decisions. For the private investors, the models for assessing these assets differed massively, for example how do compare and Italian airport with a UK port? And is a port an infrastructure asset or a service company?

While many of the funds are comparatively young, distinctions in assets are becoming clearer and those taking a financial position readily accept it is a long term play.

A comment was made about an historic definition of infrastructure – 'If Maquarie bought it, it was infrastructure'

Buyers/Sellers

There is a drive for governments to sell select infrastructure assets to pay down debt and also for those with debt refinancing issues to bring assets to market. For each region (Country) the varying commitment levels of Governments demonstrate that some are reluctant sellers, although philosophically they continue to progress through the motions, hoping a change in circumstance will prevent the assets coming to market. Where these assets are reluctantly coming to market the general consensus was the target price was too high and being based on previous, more economically buoyant times of 3 or 4 years ago.

Investors are wary of these political plays and are choosing only those deals from motivated sellers that need to conclude.

Japan – knock on effects

Those operating ports have seen a significant shift – key components needed to manufacture products (cars, engines etc) are not arriving, affecting the tightly controlled supply chain.

The associated issue with nuclear and the subject of power in general raised points over the UK policy on nuclear. It was felt that the opportunity would be taken by the Government to take some time and look at what lessons have/are being learnt from the fallout in Japan. i.e. how can we then further incorporate this into the quality/safety of any new build programme.

A common sentiment around the table gave an indication the carbon targets are unlikely to be met and that an increase in building or extending the life of gas or coal power stations will likely increase, as the reliability of other renewables comes under scrutiny. The ports have a significant business with supply of not just coal and gas, but also the offshore wind and increasing biomass energy supply

Oil Price

The subject was discussed around transportation. It was suggested the effects are similar to those experienced in the last oil crisis of the 70's. Retailers are focusing on protecting margin and have adjusted the procurement supply chain to use the larger, slower moving ships which in turn will wait until they have full cargos before the sail to Europe.

Faster ships create an exponential rise in fuel costs for the customer and therefore the larger ports are seeing a decline in the use of the smaller, faster vessels. This has been a consistent theme throughout the last 2/3 years.

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