



FOR IMMEDIATE RELEASE

Singapore, 23 December 2009

Southeast Asia's transport infrastructure expenditure to hit US\$32 billion in five years

A new KPMG study projects that the expenditure on transport infrastructure in South-East Asia may grow by an average of 3.5 percent per annum over the next five years. Between 2010 and 2014, this will increase from a projected US\$27 billion annually in 2010 to reach US\$32 Billion in 2014.

The study extrapolates existing levels of infrastructure spend in the ten main economies of Southeast Asia, basing projections on differing growth rates for each of the economies. Cambodia, Laos, Myanmar and Vietnam are projected to witness the highest average annual expenditure growth.

Despite this, the needs of these countries for transport infrastructure will still likely continue to outstrip expected investment growth available from public funds.

"It is clear that countries in South East Asia need to make substantial investments in transport infrastructure over the next five years," says Mr **Satyanarayan Ramamurthy**, Head of Corporate Finance at KPMG in Singapore. "What is not clear is the extent to which private capital will participate in the creation of these assets."

Singapore among big four markets

With over 550 million people, the region's significance is undeniable given its manufacturing capacity, cost-effective labour markets, growing consumer class and tourism potential.

The KPMG report identifies four countries – Singapore, Indonesia, Malaysia and Thailand - which are expected to continue to account for 80 percent of investment within the region. This is despite markets such as Vietnam and Cambodia being projected to experience the highest expenditure growth rates in the region.

This suggests that the big four markets should continue to be a focus for private sector investors.

However, these investors may need to refine their strategy to better identify opportunities and deploy resources into other neighbouring markets as well, which although smaller, have high potential.

To improve their transport infrastructure, countries such as Vietnam, the Philippines, and Indonesia have traditionally tapped on international financing institutions and official development assistance.

However, in recent years, they have also explored the potential for Public Private Partnerships (PPPs).

“If infrastructure projects are being set up through disciplined procedures such as PPPs, this can bring many benefits in terms of better allocation of risks and costs between the parties involved,” says Mr Ramamurthy.

However, in markets that are relatively new to the process, PPPs can take time to establish and are unlikely to meet short-term objectives such as, for example, pump-priming through economic stimulus packages.

He adds, “PPPs will depend on how quickly regional governments are able to provide clarity on their regulatory environments, so that investors are confident that they can earn a fair return for the risks they take on.”

Note to editors:

About KPMG’s Global Infrastructure Trend Monitor

KPMG’s Trend Monitor: Southeast Asian Transport looks to offer a medium-term (2010–2014) view of market potential. Analysis is based on data from external sources and a limited number of explicit assumptions, and also leverages the local knowledge of professionals in KPMG’s Southeast Asian member firms.

About KPMG’s Global Infrastructure Practice

KPMG’s Global Infrastructure practice has extensive local and global experience advising government organisations, contractors, operators, and investors in planning, structuring and management of new infrastructure investments; procurement and financing support; improvement and monitoring of construction and operations; restructuring of distressed projects; investment due diligence assistance; and infrastructure related audit, tax, accounting and compliance issues.

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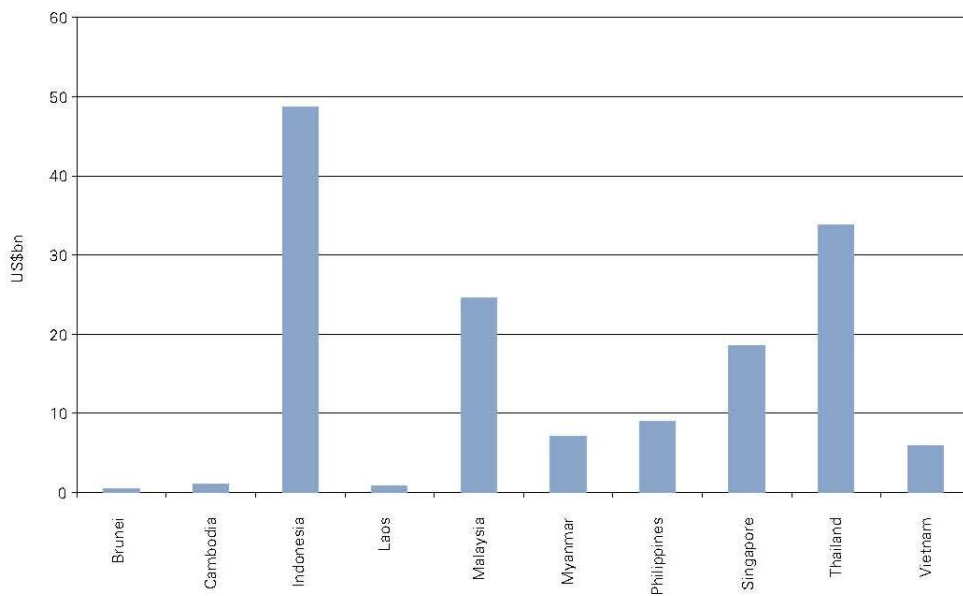
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Appendix:

Southeast Asia: forecast cumulative expenditure on transport infrastructure for 2010–2014 (US\$ billion)

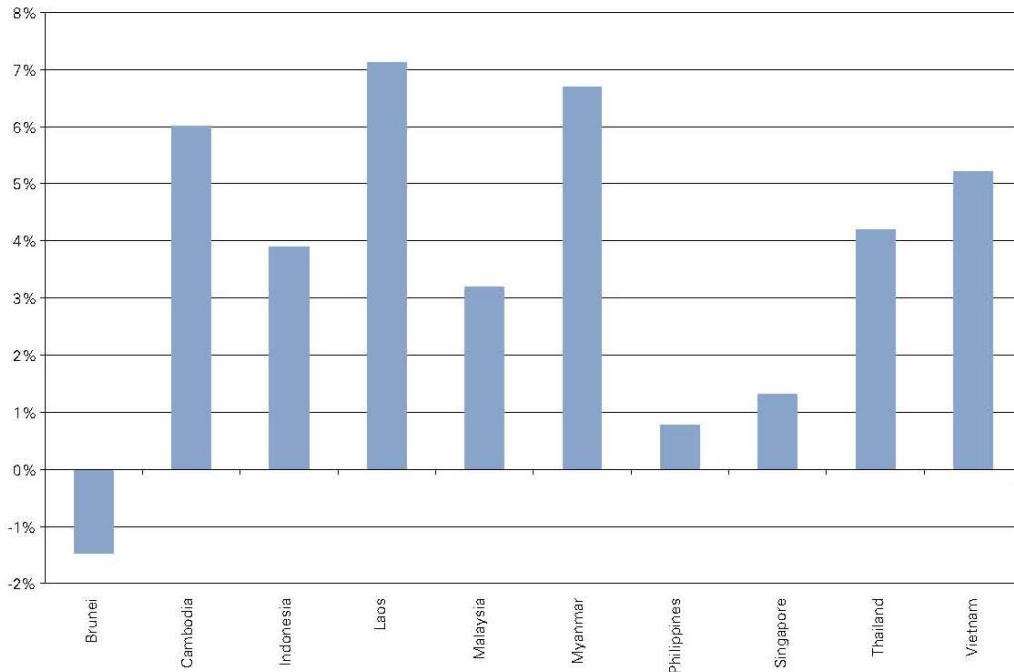


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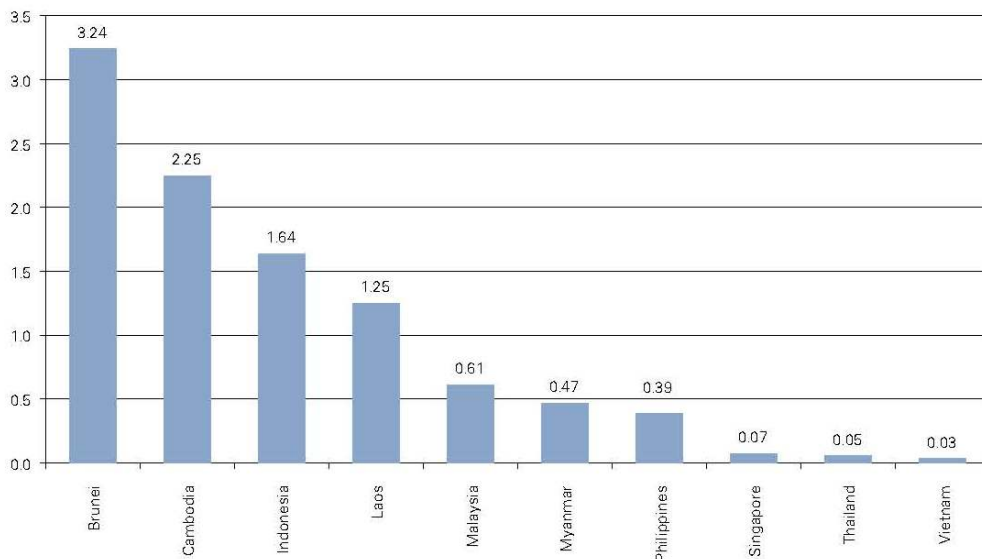
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Appendix (continued):

Southeast Asia: forecast average annual growth rate in transport infrastructure expenditure 2010–2014 (percent)



Southeast Asia: ratio of forecast cumulative expenditure on transport 2010–2014 to the forecast average for all nations



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