Lend Lease

Public Infrastructure

Productivity Commission Draft Report (March 2014)

Section 5 Raising Finance

INFORMATION REQUEST 5.1
The Commission seeks feedback on the availability of bond finance for public infrastructure projects in Australia.
• To what extent are there impediments to the development of the Australian bond market to support investment in infrastructure?
• To what extent are there barriers to Australian infrastructure firms accessing international bond markets?

Availability:

- Whilst there is strong appetite within the institutional investment community, including Australian-domiciled superannuation funds, for long term infrastructure investment this is not currently translating into a viable source of demand for greenfield infrastructure project bonds.

- Prior to the GFC there was a relatively active bond market operating in Australia and servicing the infrastructure sector. The bond market could be broadly sub-divided as follows:
  - Unwrapped long tenor bonds, predominantly CPI linked, used to fund social infrastructure projects with issuance size ranging from $100m to $400m. During the 2000's the primary purchasers of unwrapped long tenor bonds were Australian superannuation funds who tended to exhibit a collective demand for this type of product in the order of $100m-$300m; and
  - Wrapped bonds of both short and long tenor, with a mix of nominal and CPI linked, used to fund social infrastructure and economic infrastructure.

  Fundamental changes which have occurred since the 2000's that have adversely affected the market for both unwrapped and wrapped bond finance for public infrastructure projects are as follows:
  - In relation to unwrapped bond finance:
    - Governments have actively moved away from making CPI indexed repayments over the term of concessions removing a key feature sought by the superannuation funds investing in the long dated unwrapped bonds.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

        - Secondly, during the period since the early 2000's the size of infrastructure projects being brought to market has grown substantially and reached a point where the size of project issuances far exceed prevailing demand of long dated superannuation investors.

    - In relation to wrapped bond finance:
      The demise of the monoline insurance industry, coupled with a complete lack of confidence in the monoline insurers still afloat, has led to an effective removal of wrapped bonds being used to finance Australian infrastructure projects from the new issuance market

- There has been some availability of bonds (usually via medium term notes, rather than full term tenor) for refinancing transactions, including:
    - Perth Airport's A$400m seven year medium term note, issued in March 2014
    - Victorian Desalination Plant ("Aquasure") completing a three part project bond in December 2013, including:
        - US$310m private placement due February 2024
        - A$100m due February 2024
        - A$150m public bond due December 2020
    - Port of Brisbane's $300m seven year medium term note issue, completed in July 2013

Impediments:

- The significant spread in the current market between typical returns on the equity and debt components of infrastructure project finance means that institutional investors currently have a greater interest in investing in infrastructure through equity, rather than debt.
    - This is likely to change over the medium term with an observable compression in equity returns increasing the relative risk-weighted attractiveness of institutional investment in project debt, compared to equity.

- Lack of a robust and liquid secondary market for the trading of infrastructure project bonds is a key impediment for institutional investors, notwithstanding many have a long investment horizon for their portfolio's investment allocation to infrastructure (both debt and equity).
    - We believe there is scope for Government to play a central role in stimulating liquidity in this market by structuring its one-off contributions towards large-scale infrastructure projects as instruments that are capable of being eventually traded on open markets (compared with a non-tradable one-off expense).

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

- Lack of fungibility of infrastructure debt by reason of the fact that infrastructure debt tends to be funded on a project specific basis with differing underlying risk profiles from project to project. The situation is not assisted by the differing approaches to risk transfer adopted by different jurisdictions.

- Lack of investment banks willing to underwrite infrastructure bonds and fill the void created by superannuation funds not always being readily equipped to perform due diligence work during the tender preparation process.

- Lack of monoline insurance providers, or other facilitators of credit enhancement (debt re-insurers /credit-enhancers).

Barriers to accessing international bond markets:

- Requirement to enter long term currency hedges erodes competitive advantage of sourcing full term debt overseas.

- Lack of willingness of international bond investors to participate in drawn out tender processes

- Lack of willingness of international bond investors to provide commitments of capital during the tender evaluation periods when uncertainty exists as to whether the commitment will ever be called upon.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

Section 6 Financing Mechanisms

INFORMATION REQUEST 6.1
The Commission seeks views on the costs and benefits of governments issuing project-specific infrastructure bonds, with the interest rates reflecting the risks of the project and which explicitly do not have a government guarantee.

The detail of the suggested project-specific infrastructure bonds covered in the Productivity Commission report is unclear. Unlike the converting infrastructure bonds, there does not appear to be a discussion or explanation of the detail underlying the project-specific infrastructure bonds. Notwithstanding this, Lend Lease has attempted to provide an outline of perceived benefits and costs. It is assumed that the government is discussing a scenario whereby it issues bonds and uses proceeds to provide debt funding into infrastructure project Special Purpose Vehicles (SPVs).

Benefits:

- May contribute to the creation of interest in and development of a broader infrastructure bond market.

Costs:

- As the Commission's report identifies, it may be problematic for the Government to issue the bonds, and then to be seen to not be standing behind their credit.

- With the explicit omission of a Government guarantee, there appears insignificant practical difference between Government and private sector-issued bonds – investors are being asked to take full project risk, notwithstanding the identity of the issuer.
    - This may add project financing complexity without tangible benefits (or tangible benefits that could be more readily achieved through other structures).

- It would likely be more workable (in a PPP setting) for the project company (SPV) to issue the bonds, which would also mean that the Government can eventually distance itself from the bonds' credit.
    - The Government could, and potentially in early stages *should* be the purchaser of these project company bonds.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

INFORMATION REQUEST 6.2
The Commission seeks views on the costs and benefits of governments issuing converting infrastructure bonds to finance greenfields infrastructure investments.

Benefits:

- May contribute to the creation of interest in and development of a broader infrastructure bond market.

Costs:

- The model seems reliant on government taking on construction delivery risk and paying yield through the D&C phase of projects which are being priced and managed by private sector financiers readily at present.

- Given the relatively high gearing level of social infrastructure projects the described converting infrastructure bonds would be targeted at de-risking what is a relatively small portion of overall funding requirements and which is well represented by interested parties able to price and manage the relevant risks.

- If the converting bonds are intended to constitute a significant portion of the financing for a major project, this would have implications on post-construction project gearing levels and may result in an inefficient equity-intensive financing mix.
    - Conversely, if they were not to contribute more than typical current levels of project equity (i.e. 10–15% for availability PPPs) there may be limited benefit for the level of additional complexity added to transactions.
    - In the Commission's paper, p.196, there is comment that this may constitute a stand-alone financing solution.
        - If used to finance whole projects, this is effectively 100% equity finance, leaving the project effectively ungeared and resulting in a sub-optimal financing solution.
        - If the bonds are readily tradeable once converted, the lack of a small set of core, long term equity sponsors to undertake asset management/ project control through its life (as is the case in current PPP transactions) is likely to jeopardise project delivery and performance.

- In addition, Lend Lease's recent experience suggests that there is little to be gained from this model, as there is already robust appetite from institutions in the market to make long term equity investments into greenfield infrastructure. Examples from recent Lend Lease sponsored infrastructure developments include:

    - Sydney International Convention Exhibition and Entertainment Precinct ("SICEEP"):
        - Hostplus invested alongside Lend Lease for 50% of the project equity

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

- Eastern Goldfields Regional Prison:
  - MLC invested alongside Lend Lease for 50% of project equity

Both of the above projects demonstrate Australian institutional interest in making meaningful, long term equity investments into Australian greenfield infrastructure projects.

Lend Lease's view is that rather than a shortage of equity investors willing to assume construction delivery risk the key financing issue in the Australian infrastructure development market at present is the lack of debt capital willing to lend at tenors which are more closely aligned to overall project concession terms.

- In cases where the Government is committed to providing financing support for key infrastructure, it may instead consider providing funding to the project for construction period (at its low cost of capital), and then looking to re-finance this contribution via a bond issue post-completion.

INFORMATION REQUEST 6.3
The Commission seeks feedback on the advantages and disadvantages of alternative procurement processes focused on long-term equity, such as an 'inverted bid' model. In particular, the Commission is interested in how an alternative procurement process should be designed to maximise efficiency gains and the likely benefits and costs of such an approach.

Lend Lease believes that the inverted bid model described in the Commission's paper is flawed and implementation would mean that many of the key benefits identified by the Productivity Commission under the PPP model of project delivery would be compromised under an inverted bid model.

Specifically, equity IRRs are only one component in the overall PPP framework aimed at delivering optimal value for whole of project outcomes to governments. Indeed, with project gearing of up to 85-90% for availability style PPP projects, equity is a relatively immaterial component of the capital structure and an even smaller component of the overall project cost when taken together with construction and operating costs.

A key advantage of the competitive bidding framework associated with PPPs is the promotion of innovative thinking targeted at whole of project solutions. Bidders highly motivated to deliver superior whole of life outcomes across Design and Construction, Operation and Maintenance and finance components of projects.

As referred to in our response to 6.2 (above), opportunities already exist for superannuation funds to become involved in key infrastructure projects from an early stage as equity co-sponsors alongside infrastructure developers and contractors.

There is no need for governments to make projects inefficient, nor carry increased project risks by guaranteeing equity returns.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

The market is capable of pricing infrastructure project equity efficiently and there is opportunity for superannuation funds to participate during the early stages of tender processes.

Other comments

In addition to the above specific requests the following comments/observations are made.

Bond Tenor

- The bond market will only be truly effective where term bonds become available and refinancing risk is removed from infrastructure projects. So long as bond tenor is similar to bank debt (which it currently is), refinancing risk will remain an issue.

Management of Refinancing Risk

- Refinancing risk represents one of the most material risks being priced and managed by equity investors in Australian infrastructure projects. This is a particularly concentrated risk in the case of social infrastructure projects involving the repayment of capital via government availability payments.

  The ability of equity to manage refinancing is restricted where, as a product of the government body requiring base interest rates be hedged within the project vehicle, Currently project SPVs are tied into long term swaps with a select group of financiers (typically the initial financiers).

  The option to terminate the swap retained by swap providers not participating, or not having been given an opportunity to participate in a refinancing of maturing debt represents an obstacle to SPVs in that the refinancing SPV is forced to weigh the potential cost of re-entering into a new swap together with the cost of the underlying debt. Such exposure does not exist where the government tendering the project assumes the base rate risk as a part of its normal treasury functions (e.g. Victorian Comprehensive Cancer Centre Project, Sunshine Coast University Hospital PPP Project, New Bendigo Hospital and Sydney International, Convention, Exhibition and Entertainment Precinct Project).

Impact of Government Contributions

- Recent contributions by governments to infrastructure projects have been well documented including in relation to the different contribution methodologies applied (e.g. direct contribution through construction phase, take-out of a proportion of finance at the end of construction and a contribution at a defined period into operations which is required to be applied against debt with the effect that a mandatory decrease in gearing has been effected).

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

What has not been focussed on is the impact of direct contributions, both through the construction phase or at the end of construction, on risk profile for financiers. Notwithstanding these contributions by government, private financiers continue to effectively take risk on the delivery and operation of the whole of the project.

- e.g. $50 of private finance, post a $50 government contribution, continues in practice to take risk on the delivery of the full $100 of D&C works and the operation of a $100 asset. Whilst under an extreme scenario government is effectively risking its own contributions, the more probable risk outcome is the private sector is taking first loss on an asset double the size of the finance it is contributing

This serves to increase the exposure of the private financiers and increase the potential volatility of returns, which will be reflected in the pricing of private capital.

Using Government Contributions to Stimulate a Secondary Bond Market

- Rather than the Commonwealth (and in time the States) making up front cash grants to projects, the Commonwealth could invest in an interest paying debt instrument issued by the relevant Project Company.
  - The financial support provided by the Commonwealth to stimulate the development of state-based projects of significance could come by way of a reduced rate of interest for the project's debt – i.e. at a small margin over the Commonwealth's cost of funds.

- The bonds could sit pari-passu with more traditional forms of senior (project finance bank) debt and could be credit enhanced by way of a guarantee of timely payment of principle and interest from the Commonwealth.
  - The underlying bonds would be rated investment grade and, with the benefit of the Commonwealth guarantee, would be rated at AAA.

- Initially, the bonds could be subscribed for by the Commonwealth at financial close and on-sold to Australian institutional fixed income investors.
  - With a Commonwealth guarantee in place, it is expected that the bonds could be on-sold shortly after financial close.
  - As the market evolves and liquidity increases (potentially after 2-3 transactions), investment banks will be able to re-enter the market and underwrite the bonds during the bid phase on efficient terms, enabling the Commonwealth to step back from having to initially purchase the bonds.
  - The Commonwealth may elect to charge a fee for providing the guarantee, depending on the level of subsidy the Commonwealth seeks to provide.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

- As the market further evolves and investors develop their ability to participate in bid processes and understand underlying project credit, the use of the Commonwealth guarantee will be more about stimulating project development by way of reducing cost of funds for sponsors, be they developers or the states, for selected projects rather than a mechanism to stimulate development of the bond market. The mechanism essentially replaces Commonwealth cash grants (which are fully expensed) with an instrument that has an investment grade project risk which is then credit enhanced and sold by the Commonwealth to Australian institutional bond investors, in turn stimulating the revival of the infrastructure project bond market

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

Section 10 Competition

Lend Lease contends that competition in all areas of the infrastructure construction market would be described as not only robust but 'fierce'. At the top end of the market (mega projects > $1B) Joint Ventures and Consortia are formed to bid in a number of different procurement forms. Joint Ventures are preferred as they de-risk the overall project outcomes and provide access to skills and expertise that often reside off-shore.

In an article (Australian Financial Review 17 March 2014) a senior executive from the Paris-based Bouygues, one of the world's largest construction firms "*challenged the notion Lend Lease and Leighton Holdings have a duopoly in Australia, arguing it has become easier for foreign companies to win big contracts in Australia despite challenges from unions*". Other foreign contractors currently active in the Australian market include:

- Bechtel
- Fluor
- Bouygues
- Samsung
- Acciona
- PCL
- Ferrovial
- Laing O'Rourke
- Salini
- Impreglio
- Dragados
- Ghella

These companies are active in the Australian infrastructure market place and are wining market share:

- Acciona and Ghella won Brisbane's $1.8Bn Legacy Way tunnel in late 2010.
- Impregilo & Salini won the Northwest Rail $340m viaduct package in mid-2013
- Bouygues, in JV with Lend Lease Engineering are preferred on Sydney's $2.5Bn North Connex project.
- Acciona and Ferrovial in JV have been recently announced as the preferred tenderer in the $950m Worral Creek to Nambucca Heads Pacific Hwy duplication project

The Australian infrastructure market has attracted much foreign interest as European and US markets suffered through the global financial crisis.

In general, foreign competition interest has been on a project by project basis with some attempts to secure additional work on the back of the work secured in joint venture.

In addition, we have seen foreign entrants starting to joint venture with Tier 2 contractors to secure projects in the medium size range ($200-$500M).

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

At the bottom end of the market ($<200M) the Tier 2/3 contractors have increased their capabilities and often compete in their own rights for projects up to $300M – this has occurred gradually over a number of years.

Other factors to be considered in relation to foreign entrants are:

- Immature appreciation of industrial relations issues.
- Different culture/standards with regard community issues.
- Decision making often remains off-shore.
- Do not have delivery capability locally so most likely to subcontract.
- Issues regarding long term defect rectification and design life liabilities.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

Section 12 Industrial Relations (IR)

Draft Recommendations

12.1 Agree that the industry requires one consistent national code driven by the Commonwealth Government.

12.2 Agree that penalties for unlawful conduct should be increased but note that timeliness of penalties/remedies is more important than the deterrent effect of penalties. There are two possible initiatives that would assist to achieve timely relief in these circumstances:

- Relaxation of the high evidentiary bar to establish union involvement in alleged unlawful action (e.g. Establish that there are union members on the project and/or the union is a party to an industrial instrument on that project).
- Unions are required to establish what proactive steps they have taken on the affected project to prevent the behaviour being complained of.

We also maintain that enforcement of this penalty regime needs to be a well funded and requires a well resourced regulator.

General Comments

12.1 What is Industrial Relations?

- The dispute resolution process reflects an immature bargaining approach by the parties, ongoing conflict over risk and reward allocation and adversarial bargaining (winner take all) culture. This bargaining cultural overlay is a considerable barrier to improved outcomes.

- The Parties are generally operating on different bargaining scales – employer interest lies in fitting within values, ethics, law and economic parameters over the medium to long term. Union focussed on maximising return to labour over the short term, with the view that if a firm goes bust, another will fill the void. Put differently, one is committed to the sustainability of the firm and the other takes an industry level view.

12.3 Framework

Contracting practices

- Agree that a key structural issue is the industry's risk allocation model – risk lies with the work package contractor to guarantee on-time and on-cost delivery of the work, as well as ongoing quality and fitness for purpose obligations. This obligation sits uneasily with the protected action provisions of the Fair Work Act and union preparedness to engage in unlawful industrial action and/or conduct bogus safety campaigns.

- Lack of a permanent employment relationship for most workers is a key problem, with many seeing the union as the one constant in their work life.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

- Sham contracting remains a significant problem, undermining employee faith in and commitment to individual firms.

12.4 Is construction different?

- Agree distrust between the parties is high, with very few issues typically agreed between employers and unions. Bargaining and relationships are adversarial with a winner takes all approach common – third party involvement also very high.
- Workplace health and safety concerns are prominent – as is use of safety to mask an industrial dispute. State safety legislation is used to circumvent Federal law and state codes of conduct. Subcontractor commitment to safety is variable and in the main they rely on main contractor's systems, expertise and resources.
- Industry is diverse, with the segments hard to compare

12.5 Impact of IR at the Project Level

- Terms and conditions – greenfield agreement provisions hand the unions an effective veto. Agree that there is some evidence that major projects have had an uplift effect on EBA outcomes more broadly.

- Impact of resources boom was quite considerable on the broader construction industry wage outcomes.

- Unlawful conduct remains a key problem. Increasing penalties will help, but the key issue is the time it takes to obtain a remedy to the action.

- Sweet heart deals – we contend the Report is wrong to distinguish Victorian Government issue with JDA8 as a bargain obtained "at any cost', as inferred on p438. Code compliance issue was not a cost issue as JDA8 does not contain the industry 'jump up' clause. This was determined by the Fair Work Commission in Construction, Forestry, Mining and Energy Union v Lend Lease Project Management and Construction (Australia) P/L FWI 5112.

12.6 Aggregate effects of the IR environment on the construction industry

- Go slows, overtime bans, work practices are said to be an issue. We don't believe the construction industry has a problem with go slows and overtime bans. When action is taken, it is more often overt in nature.

- Concentration of disputes – agree that commercial CBD building experiences the worst industrial activity, followed by major civil projects.

12.7 Scope for improving the IR environment

- Short term focus (Unions) v medium -long term focus (employers)

- Union focus totally on maximising returns to labour and bolstering their own place and influence, comfortable that employers come and go.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com

Lend Lease

- Commercial settings and risk allocation – role of public clients in driving change if they align their code of conduct objectives with project risk

Other Comments

Lend Lease believes that the Draft Report provides a high level and good summary of this issue, with exception of the last sentence about the need to minimise barriers to entry. The Report states (p.347) that "*the only barriers to firms moving between segments is evidence of experience, technical capacity and financial capacity.*" While this is true, it would be a detrimental outcome if these factors were removed or discounted as key performance criteria when Government clients, in particular, have driven this segmentation to manage project risk and get improved certainty of outcome for time, quality and fitness of purpose.

Lend Lease Corporation Limited ABN 32 000 226 228
and
Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983
as responsible entity for **Lend Lease Trust** ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond
30 Hickson Road
Millers Point NSW 2000
Australia

Telephone +61 2 9236 6111
Facsimile +61 2 9252 2192
www.lendlease.com