

PUBLIC PRIVATE PARTNERSHIP AND INFRASTRUCTURE UPDATE



FEDERAL APPOINTMENT RE PPP

John McKay, Member of Parliament for Scarborough East, was given a new and expanded set of duties. He is now Parliamentary Secretary to Minister of Finance Ralph Goodale, with special emphasis on Public-Private Partnerships.

Asked about the meaning of 'Public-Private Partnerships', McKay explained, "There are many situations where the government knows of problems which require action, especially in the area of large infrastructure projects, but would have difficulty funding the high costs involved without raising taxes. At the same time, private companies with ample funding would like to enter into an arrangement with the government to address these issues. The government must see that the citizens of Canada benefit from the partnership, and that the private partner's profit is fair, but not exorbitant."

"Affordable housing is one, electric power is another, just to give two of several possible examples. My job will be to find a way to meet the legitimate needs of both players in a balanced manner."

The role of a Parliamentary Secretary was formerly held for two years on a rotating basis, and without specific areas of responsibility. A number of changes have been made in the designation, as part of the move to correct the 'democratic deficit' perceived to exist in the federal government.

McKay sees the next several months as a time of heavy duty for him. He expects to be deeply involved in setting up the parameters of his new duties. Because the idea behind these partnerships is a fresh way of looking at a long-standing concern, he looks forward to the opportunity to explore innovative possibilities in addressing it.

CCPPP APPOINTS NEW PRESIDENT

The Canadian Council for Public-Private Partnerships announced that Dale Richmond will become its new President. Mr. Richmond is President and CEO of DERX Inc. and former President and CEO of the Ontario Municipal Employees Retirement System (OMERS). He has had a distinguished career in the public sector at the municipal and provincial levels.

The Canadian Council for Public-Private Partnerships is a national non-partisan, non-profit organization founded on the belief that the capacity of government to meet its current and future infrastructure and service obligations can be enhanced through public-private partnerships.

TRANSPORTATION SECTOR

SEA TO SKY UPGRADES

Partnerships British Columbia on behalf of the British Columbia Ministry of Transportation issued a Request for Qualifications and is initiating a competitive process for the selection of a qualified team to design, build, finance, operate and maintain improvements to the Sea-to-Sky Highway.



The Sea-to-Sky Highway links communities from West Vancouver to Whistler. Set in a spectacular mountain landscape, the highway presents complex engineering and construction challenges. Improvements will include highway widening and straightening, improved sightlines, additional passing lanes and other design innovations and measures to reduce hazards, shorten travel times and increase capacity of the Sea-to-Sky Highway.

The \$600-million improvement project will be completed by spring 2009 in time for the Olympics and will meet population growth and travel demands until 2020, with additional improvements phased in as required over approximately 20 years. The project will create 6,000 new jobs throughout the province as a result of economic activity generated along the corridor, and will increase provincial GDP by \$300 million over the period of 2010 to 2025.

It is expected that qualified teams will be shortlisted in May 2004. The RFP will be issued in June and the winning consortium will be selected in the fourth quarter of 2004. Macquarie has formed a consortium to bid on the project.

NEW BRUNSWICK HIGHWAY

New Brunswick Transportation Minister Paul Robichaud announced that all four of the consortia that responded to a request for qualifications (RFQ) are being invited to submit proposals for the completion of the Trans-Canada Highway (THC). These four consortia are: Brun-Way Group Joint Venture, Upper Valley Highway Consortium, Saint John Valley Highway Group, and River Valley Road Development Company. The four consortia have been invited to move forward since they all met the requirements spelled out in the RFQ.

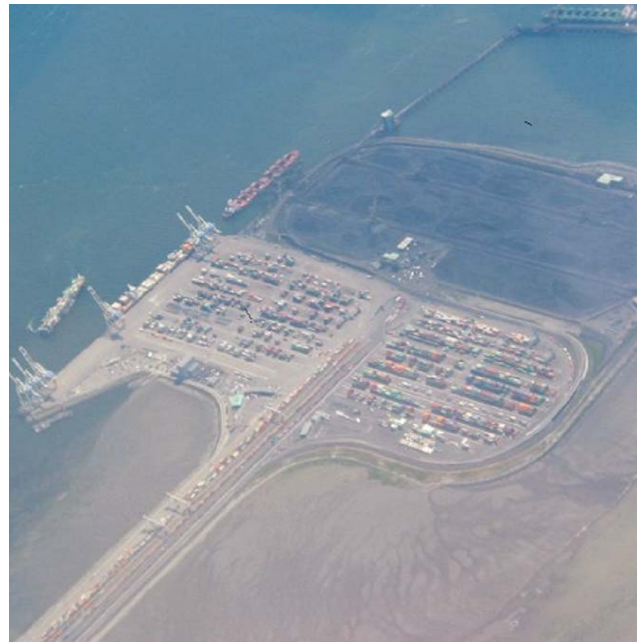
Originally, the project included the design, construction, and financing of the 100-kilometre stretch of the Trans-Canada Highway between Grand Falls and Woodstock, as well as the operation, maintenance and rehabilitation of the TCH between Saint-Léonard and Longs Creek. It has been expanded to include the operation, maintenance and rehabilitation of the 60-kilometre stretch of the TCH between Saint-Léonard and the Quebec border, and of 14.5 kilometres of Route 95 between Woodstock and the U.S. border.

"Adding the operation, maintenance and rehabilitation of the Trans-Canada Highway between the Quebec border and Saint-Léonard as well as Route 95 to the project is the most efficient and cost-effective way to carry out this work for the taxpayers of New Brunswick," the minister said.

The project is being jointly funded by the federal and provincial governments through the Canada-New Brunswick Agreement on the Completion of the Twinning of the Trans-Canada Highway in New Brunswick and is expected for completion by 2007. A Macquarie led team is among the short-listed consortiums.

BC RAIL PORT SUB-DIVISION SALE CANCELLED

A Request for Proposals was released in the 4th quarter of 2003 seeking a private sector partner to assume the rail operations for the BC Rail Ltd. Port Subdivision at Roberts Bank. This important piece of infrastructure connects Roberts Bank to the main railway network. The RFP closed on February 18, 2004, and three final proposals were received.



In early March, the current RFP for the Port Subdivision was terminated. As a result, the Port Subdivision will remain as a residual entity under the British Columbia Railway Company, which will remain as a British Columbia Crown Corporation after the CN transaction on the freight railway closes.

EDMONTON RING ROAD SHORT LIST ANNOUNCED

Three teams have been short-listed to submit proposals to build, operate, finance and maintain the southeast leg of the Edmonton Ring Road.

"I am very pleased with the quality of submissions for this project," said Transportation Minister Ed Stelmach. "All six teams made excellent submissions and three were chosen to move into the Request for Proposals stage of the project."

The Request for Proposals (RFP) will be issued in the next few weeks and will close in the fall. The three teams invited to participate in the RFP are:

- Alberta Road Development Company, led by Borealis Infrastructure Management Inc. (Toronto)
- Alberta Structures and Highways Consortium, led by Macquarie North America Ltd. (Vancouver)
- Henday Transportation Group led by Bilfinger Berger BOT Inc. (Toronto)

All teams are Canadian or have Canadian offices. Local industry is well represented. Construction of the southeast ring road is expected to begin in the fall of 2004 and should be completed by the fall of 2007, weather permitting. The road will be built to full freeway standards with all required interchanges and flyovers in place when the road opens.

If the process for this highway project works well, the same Design/Build/Finance/Operate model could be used to advance completion of the ring roads in both Edmonton and Calgary.

RAVP PREFERRED PROPONENTS ANNOUNCED

RAV Project Management Ltd. (RAVCO), a subsidiary of TransLink, announced its selection of the two successful proponent teams of the three who responded to the Request for Proposals to design, build, partially finance, operate and maintain the RAV rapid transit line.

The two proponent teams selected by RAVCO to



participate in the best and final offer (BAFO) stage subject to a decision to proceed by the GVTA Board are:

RAVxpress (Bombardier Inc., AMEC, Bouygues Travaux Publics, SA, and Bilfinger Berger)

SNC-Lavalin/Serco (SNC-Lavalin Inc. and Serco Limited)

During March and April 2004, RAVCO will report to the GVTA and the other contributing agencies, and provide recommendations to GVTA on advancing to the best and final offer (BAFO) stage of the competitive process. These recommendations will include the value-for-money report and a report on overall project funding.

With respect to funding, project capital costs are within the original estimate of \$1.5 billion to \$1.7 billion and the GVTA will consider options to achieve full funding. A GVTA decision to advance to the Best and Final Offer stage would enable the project to continue on schedule. In making this decision, the GVTA and contributing agencies will consider a wide range of factors, including transportation benefits, cost and value for residents in the region.

The Richmond Airport Vancouver Rapid Transit Project is a rail rapid transit line connecting central Richmond, the Airport and Sea Island, central Broadway and downtown Vancouver. The RAV line will connect dense and growing employment centers and key commercial, hospital and institutional centers. The line is 19.5 km long with 18 stations. The line will build on the existing rapid transit service, connecting with the SkyTrain lines to the eastern part of the region and with Sea Bus to the North Shore. Serving one-third of the region's jobs and 20% of its population, the RAV line will enhance the livability and the competitiveness of the region by contributing to "smart growth," reducing travel times, improving air quality, and helping complete the rapid transit network.

During the BAFO stage, the two final proponent teams' best and final offer will be evaluated, with the preferred proponent selected in the fall of 2004, when RAVCO and the preferred proponent team will negotiate to reach an agreement on the final terms and conditions of the contract. The contract, called a Concession Agreement, will be awarded upon successful completion of these negotiations, likely by spring 2005. Macquarie is an advisor to the Government on this project.

SIERRA YOYO DESAN ROAD

Ledcor Projects Inc., a B.C.-based firm, has been selected to enter final negotiations for a partnership to design, build and finance upgrades to the Sierra Yoyo Desan Resource Road and operate and maintain the road for 15 years.

“Upgrading and strengthening the Sierra Yoyo Desan Resource Road will improve safety and year-round use and generate an increase in oil and gas exploration and development activities in the northeast,” said Neufeld. “We’re on track and moving ahead to finalize the partnership agreement with Ledcor Projects Inc. Given the short winter construction window, we will be working with the company to begin work on the new Fort Nelson River Bridge as soon as possible.”

The Sierra Yoyo Desan (SYD) road is a 173-km resource road that starts at the end of the Clarke Lake Road, a 15-km public road (maintained by the Ministry of Transportation) that connects to the Alaska Highway just south of Fort Nelson. Together these roads form the primary access to more than 27,000 square kilometers of oil and gas territory in the northeast of British Columbia. The SYD project is estimated to be completed by Dec. 1, 2005. The bridge and a new bypass will be complete and open to industrial traffic by Dec.1, 2004.

The Ledcor team is comprised of Ledcor Highways Maintenance Ltd. of Fort Nelson, McElhanney Consulting Services Ltd. of Fort St. John, Vancouver-based Trow Associates, Vancouver-based Triton Environmental Consultants Ltd., Buckland & Taylor Ltd. from Vancouver, Peter Kiewit Sons Co. from Vancouver and Doug Gordon Contracting from Fort Nelson.

FRASER RIVER CROSSING



TransLink Board of Directors approved a short-list of qualified candidates who will be asked to submit proposals to design, build, operate and maintain the New Fraser River Crossing and associated road network. The three short listed proponent teams are:

- Gateway Constructors, led by Bilfinger Berger and Fru-Con.

- Fraser River Valley Constructors, led by Peter Kiewit & Sons Co., Tidewater Skanska Inc., HBG Flatiron Inc. and Miller Paving Limited.
- RiverLink, led by Fluor Canada Ltd. and Egis Projects.

“We are very pleased with the high quality of all the candidates who responded to the Request for Qualifications (RFQ),” said TransLink Chair Doug McCallum. “We are confident that the three short-listed teams have the financial capacity and best technical capability to proceed to the Request for Proposals phase of the selection process.”

“We anticipate issuing a request for proposals to the three candidates in late March 2004,” said New Fraser River Crossing Project Director Fred Cummings. “Proponents will be asked to submit proposals to design, build, operate, maintain and rehabilitate the Fraser River Crossing for a period of 20 years. A successful proponent will be selected in November 2004.”

Expected to open in 2007 at a cost of approximately \$600 million, the New Fraser River Crossing will provide a six-lane toll bridge across the Fraser River, linking Pitt Meadows and Maple Ridge on the north side of the river with Surrey and Langley on the south side.

OKANAGAN LAKE BRIDGE

The Request for Qualifications to design, build, finance and maintain a new five lane Okanagan Lake Bridge closed in early March and drew submissions from five project teams. These project teams are made up of approximately 30 companies from B.C., across North America and Europe.

Over the next two months, these submissions will be evaluated in two stages. The first stage will ensure that all submissions are complete and comply with mandatory requirements. The second will evaluate entries on technical and commercial criteria, including experience in construction, operations, maintenance, engineering, technical support, project management, infrastructure financing and insurance and bonding, as well as organizational structure, capacity to invest equity and experience with past projects.



Following the completion of the evaluation process this spring, a short list of up to four proponents will be announced publicly and invited to submit proposals.

A contract is expected to be signed with a preferred proponent by late fall 2004, with construction of the causeway fill anticipated to begin soon thereafter. The new bridge is scheduled to open in 2008. Macquarie is the business advisor to Government on this project.

SOCIAL INFRASTRUCTURE SECTOR

BALMORAL PROJECT IN MONTREAL

Société immobilière du Québec (SIQ) is proposing to develop the Balmoral city block in Montreal. SIQ is initiating a competitive process for the selection of a qualified team to design, build, finance, operate and maintain improvements that will consist of a conservatory for *Conservatoire de musique et d'art dramatique du Québec* which will include a 350 seat music hall, a 200 seat theatre and teaching support areas and a concert hall with seating capacity of approximately 1,900 and a stage for 120 musicians and 250 singers for *Orchestre symphonique de Montréal* (OSM). The Balmoral site is sufficiently large that it could also accommodate the development of commercial, residential or other types of uses in addition to the facility for the OSM.

CALGARY SCHOOLS

Given the urgent need for new schools in new and developing communities and modernization of existing facilities across the Calgary school district, the Calgary Board of Education ("CBE") has embarked on a public private partnership process for the development and construction of new schools and the modernization of existing schools.

It is anticipated that the development of 29 new schools could result in capital requirements in the range of \$190 to \$220 million. For the modernization of existing schools, potential costs could exceed \$100 million.

18 responses were received by the CBE in early January 2004 in response to an Request for Qualification process and the evaluation has selected four teams to proceed to the RFP Stage. Macquarie is a member of one of the selected consortiums.

CALGARY BOARD OF EDUCATION

The Calgary Board of Education (CBE) has decided to pursue the establishment of Public-Private Partnerships for the design, construction, operation and finance for a new education centre complex.

The Dr. Carl Safran Centre has been selected as the site for the New Education Centre Complex. The Dr. Carl Safran site successfully fulfills CBE's goals for enhanced operational effectiveness and improved efficiency, while projecting an image of CBE's history, continuing CBE's commitment to community accessibility and responsible use of CBE resources. As part of the project, the private sector partner will be responsible for the redevelopment of the Connaught School site into a multi-use education facility. The New Education Centre Complex is expected to be approximately 145,000 square feet.

ABBOTSFORD HOSPITAL UPDATE

The Abbotsford Regional Hospital and Cancer Centre Project has confirmed that it is moving forward with one qualified proponent team - Access Health Abbotsford - who will be submitting their final proposal by April 16, 2004.

For months, two proponent teams - The Healthcare Infrastructure Company of Canada and Access Health Abbotsford - have been preparing preliminary designs as part of the RFP process for the new Abbotsford Regional Hospital and Cancer Centre.

Both proponent teams have been striving to meet the timelines and requirements as outlined in the RFP. The Healthcare Infrastructure Company of Canada reached the business decision that they could not continue and submit a winning proposal within the timelines available, which effectively took them out of the process.

The project team is proceeding within the procurement process and schedule as outlined in the RFP, allowing time for a rigorous evaluation process, while ensuring that construction will begin no later than scheduled.

The selected partner will be expected to finance, design, build, maintain and operate facilities management services at the new regional hospital and cancer centre. All clinical services at the Abbotsford Regional Hospital and Cancer Centre will be provided by the Fraser Health Authority and the BC Cancer Agency. Both the land and

the facility will be owned by the public health authorities throughout the entire term of the partnership.

The 300-bed Abbotsford Hospital and Cancer Centre will provide enhanced and specialized health services to more than 150,000 people in the greater Abbotsford area, and up to 330,000 people in the Fraser Valley region. The facility will be three times the size of the current MSA acute care hospital, measuring approximately 60,000 square metres, and will integrate a cancer centre, as part of the provincial cancer control network operated by the BC Cancer Agency.

WILLIAM OSLER HOSPITAL UPDATE

William Osler Health Centre continues to work diligently with The Healthcare Infrastructure Company of Canada (THICC) to finalize all the legal documents necessary for the continuation of the construction of the new hospital in Brampton. William Osler Health Centre had anticipated that all the legal matters would be finalized, as previously agreed to with THICC, by January 28, 2004.

The document preparation and review process has taken longer than expected. Despite this delay, activities are ongoing to ensure completion of the hospital. These activities include the development of detailed specifications of the building designs and architectural plans and continued consultation with physicians and nurses on their needs relating to the design process.

William Osler Health Centre is anticipating that full-fledged construction will resume on the site in the Spring of 2004. "We appreciate the concern expressed by community members about the new hospital being potentially delayed," says Bob Bell, President & CEO, "We want to assure the community that the commitment to build the hospital by 2006 remains in force by William Osler Health Centre."

ROYAL OTTAWA HOSPITAL UPDATE

Officials at the Royal Ottawa Hospital welcomed the ruling that endorses its re-development model and confirms its compliance with the Public Hospitals Act. They also expressed relief for their patients and families who make approximately 250,000 visits a year to the aged hospital.



"We have worked for four years on a model that we ensured would follow the

Public Hospitals Act, and the delivery of public health care at the Royal Ottawa Hospital," said George Langill, CEO of the Royal Ottawa Health Care Group. "This ruling supports the continued re-development of the Royal Ottawa Hospital as a public hospital, and recognizes that alternative approaches and new ways of building hospitals can be achieved under current legislation."

Mr. Langill pointed out that the P3 approach was comprehensive, that in spite of ongoing efforts by the hospital to explain the innovation in its new model, it is clear that continued discussion with the community and all parties involved remained important in the future.

"We hope that this ruling will end the frequent reference to our new project as a 'private hospital' or 'privatized medicine'," said Mr. Langill. "The Royal Ottawa Hospital will remain a public hospital with the private sector partner accountable to the senior management of the hospital, and the management accountable to the Board."

Mr. Langill added that the ruling would allow for the continued implementation of the Royal Ottawa Hospital project, ensuring that patients and their families in Eastern Ontario get the hospital they deserve.

BRITANNIA MINE WATER TREATMENT PLANT

The Province of BC has issued a request for expressions of interest to clean up the contaminated water flowing from the Britannia mine site using an acid-water treatment plant, Minister of Sustainable Resource Management Stan Hagen announced today. The request seeks to identify firms interested in providing effective, innovative proposals to design, build, finance and operate the water treatment plant at the former mine near Squamish.



"Cleaning the mine water at the old Britannia mine site will have enormous benefits for the water quality in Howe Sound," said Hagen.

"Clearly we want to address this costly challenge in the most effective, innovative and efficient way possible."

“That’s why we want to bring on board a forward-looking partner who has the expertise to tackle this head-on.” The mine, once the largest copper mine in the British Commonwealth, has been a major source of acid mine water pollution in Howe Sound, since its closure in the mid-1970s. The site discharges an average of 629 kg each day of heavy metals, making it one of the largest sources of acid rock drainage to a marine environment in North America.

“The water contamination has long been a concern locally and internationally,” said West Vancouver-Garibaldi MLA Ted Nebbeling. “Addressing it will encourage development, tourism and other investment.”

Proposals will be evaluated based on qualifications, experience, use of demonstrated, innovative technology and financial capacity. “We will be looking for vision and innovation to address the contaminated water flowing into Howe Sound while providing a solution that maximizes value and minimizes costs,” Hagen said.

“Additional remediation work is already under way, including moving contaminated soils, capturing and redirecting surface runoff and contaminated groundwater.”

By including financing and performance measures in the contract with a partner, there will be more accountability established overall for the project, and will ensure that the environmental clean-up is effective and appropriate. The successful proponent will have to meet all environmental regulatory requirements.

The procurement process will be administered by Partnerships BC. The formal request for proposals will be issued in April of 2004. It is expected that design and construction will be under way by the fall of 2004 and the new water treatment plant will begin operation late in 2005.

OSHAWA ARENA PPP

The City of Oshawa is considering a public private partnership to develop a new sports and entertainment facility. The requirement is for a sports and entertainment facility that can host entertainment and sports events, including concerts, with a capacity of 4,500 to 4,800 seats. It is expected the new facility will provide a new home for the Oshawa Generals and secure the team’s future in the City.

OTHER NEWS

MAJOR INVESTMENT IN MACQUARIE ESSENTIAL ASSETS PARTNERSHIP FROM CPP

The Macquarie Essential Assets Partnership (MEAP), Canada’s first infrastructure fund focusing on essential assets, has secured a new \$100 million commitment from the Canada Pension Plan Investment Board. MEAP was established by Macquarie Bank in May 2003 with initial commitments of \$250 million from predominantly Canadian pension funds.

In addition, MEAP has completed its second investment, acquiring an 18 per cent interest in the Michigan Electric Transmission Company LLC (METC), which owns and operates a transmission network in Michigan, USA. METC’s network comprises 5,400 miles (8,640 kms) of transmission lines and 82 substations and services most of the Southern peninsula of Michigan. The investment is in line with MEAP’s policy of investing in essential assets such as electricity transmission and distribution networks, gas and other pipelines, gas distribution and certain water utilities.

MEAP was established to provide investors with exposure to essential infrastructure assets offering stable returns and predictable cash flows. Its seed investment was a 15 per cent stake in AltaLink, which owns North America’s first independent electricity transmission network in Alberta, Canada. The CPP Investment Board joins Canadian pension funds including British Columbia Investment Management Corporation (BCIMC) and New Brunswick Investment Management Corporation (NBIMC) which made commitments to MEAP in May 2003.

Further investment opportunities are expected as a result of the continuing restructuring of the electricity and gas industries in the United States and Canada, and the trend towards the separation of the regulated businesses of existing utilities from other business activities. In addition, investment opportunities are expected to arise as capital constrained businesses divest non-core assets and focus on core operations.

MACQUARIE LAUNCHES US INFRASTRUCTURE FUND



The Macquarie group announced the successful pricing of the initial public offering of common shares in a new closed-end fund, the Macquarie/First Trust Global Infrastructure/Utilities Dividend & Income Fund (the Fund). The Fund has issued 8,500,000 common shares at an initial price of \$20.00 per share, resulting in gross proceeds of \$170,000,000 (exclusive of the underwriters' overallotments). In addition, underwriters' over allotments of up to 15% of the total fund size may be exercised.

The Fund's shares began trading on the New York Stock Exchange (NYSE: MFD) on March 26, 2004, and its listing will be formally announced with the ringing of the NYSE opening bell on Tuesday March 30, 2004.

MFD is a closed-end management investment company, investing predominantly in listed infrastructure and utilities companies in selected developed countries globally. The Fund will be advised by First Trust Advisors LP, and will be sub-advised by Macquarie Infrastructure Fund Adviser, LLC (MIFA) and Four Corners Capital Management, LLC (Four Corners). MIFA and Four Corners are both members of the Macquarie group.

"The establishment of this Fund is a significant milestone for MIFA and the Macquarie group in the United States," said Oliver Yates, Executive Director of Macquarie Securities (USA) Inc. "MFD will provide an opportunity for US retail investors to gain access to a broad non-U.S. portfolio of predominantly listed infrastructure and utilities companies," Mr Yates said.

The Fund's investment objective is to seek a high level of current return consisting of dividends, interest and other similar income while attempting to preserve capital. In pursuing this objective, the Fund will seek to

manage its investments and expenses so that a significant portion of its distributions to common shareholders will qualify as tax-advantaged dividends. There can be no assurance that the Fund will achieve its investment objective.

The Fund will aim to build a portfolio of dividend and other income-paying stock in predominantly listed companies focussing on owning, managing and/or operating infrastructure and utilities assets in the UK and other current EU countries, Australia, Canada, the US, New Zealand, and Switzerland. In addition, the Fund has the ability to invest in three developed Asian countries – Japan, Hong Kong and Singapore. The Fund also intends to invest in senior secured US dollar-denominated floating rate loans issued by infrastructure and utilities companies.

It is intended that the proceeds from the listing of MFD be invested within a three to six month period in securities and instruments that meet the investment objective and policies of the Fund.

LEADING INSTITUTIONAL INVESTORS SUPPORT FIRST PAN-EUROPEAN DEDICATED INFRASTRUCTURE FUND

Macquarie Bank announced first close of the Macquarie European Infrastructure Fund, the first pan-European dedicated infrastructure fund. The Fund has achieved total initial commitments of €422m from leading institutional investors including Stichting Pensioenfond ABP of the Netherlands, one of the world's largest pension funds, Generali, Italy's largest insurer, Oslo Pensjonsforsikring, Norway's largest municipal pension plan, Dexia Credit Local of France and Caisse de dépôt et placement du Québec of Canada.

According to Mr Jim Craig, Managing Director of the Macquarie European Infrastructure Fund, the launch reflects growing interest in the infrastructure sector in Europe, particularly among pension funds and other investors with a long-term outlook.

"We are seeing the emergence of infrastructure as an alternative asset class in Europe," Mr Craig said. "Pension funds and other institutional investors are recognising that infrastructure investments, which have the potential to offer comparatively stable, long-term real returns, provide a highly desirable match for long-dated liabilities. The other side of the equation is that community assets need long-term funding," he said.

“Infrastructure assets display unique characteristics. Their essential and long-term nature, combined with strong competitive position, leads to stable and predictable consumer demand. Hence their cashflows can be more reliably predicted than those from other asset classes. This stability in operating cashflows can reduce the overall volatility of returns for investors,” Mr Craig said.

“In our experience, investors are finding this combination of sustainable yields, lower volatility and inflation-linked returns increasingly appealing,” he said.

The Macquarie European Infrastructure Fund is the first fund of its kind in Europe. It is a wholesale vehicle targeting investments in infrastructure and related assets in European OECD countries. The Fund aims to deliver sustainable cash yields and moderate capital growth from a diversified portfolio of quality infrastructure assets, potentially including electricity and gas transmission and distribution networks, water and sewerage companies, rail and related infrastructure, airports, communications infrastructure and toll roads.

The Fund will seek investments that provide essential services to the community, have a strategic competitive advantage and offer sustainable and predictable cashflows.

The Macquarie European Infrastructure Fund will benefit from Macquarie’s position as a global leader in the infrastructure sector. Macquarie has almost €10 billion in infrastructure funds under management worldwide. Infrastructure investments managed by Macquarie include assets in transportation, water, telecommunications and energy sectors around the world, including UK, Germany, Spain, Portugal, Italy, Sweden, Canada, US, Chile, Australia, Korea, Japan and South Africa.

In the last six months Macquarie Bank acquired two seed assets for the Fund - UK utility South East Water and Arlanda Express, the high speed rail service linking Sweden’s Arlanda Airport to Stockholm city centre. Investments in both assets will be owned by the Macquarie European Infrastructure Fund and its co-investors.

According to Mr Craig, the Fund is continually looking for attractive investment opportunities, and expects to announce further acquisitions in the next 12 – 18 months.

“The European infrastructure sector is generating a strong and growing pipeline of interesting opportunities,” Mr Craig said. “As a global leader in infrastructure

finance, Macquarie is uniquely placed to access outstanding investment opportunities for our investors. We see this as a key strength of the Fund,” he said.

ABOUT MACQUARIE

Macquarie North America Ltd. is a member of the Macquarie Group, a specialist provider of investment, advisory and financial services in select markets around the world. Macquarie's approach is driven by a deliberate focus on areas where we have specialist expertise, such as in the infrastructure sector. The Macquarie Group has 4,700 people in 18 countries. The Group is headquartered in Australia, where our parent company, Macquarie Bank Ltd., is recognized as the leading Australian investment bank and is one of Australia's top 25 companies by market capitalization.

The Macquarie Group has been actively involved in the Canadian market since the early 1990's. Over the last four years we have established what is now the largest financial advisory team dedicated to the Canadian infrastructure sector with over 45 staff and offices in Toronto and Vancouver. Macquarie provides advisory services to both government and corporate clients across Canada. These advisory services include project evaluation and financing, PPP structuring and evaluation, structured financing, cross-border leasing, capital restructuring, mergers and acquisitions, strategic options evaluation and other corporate, strategic and financial advice in the transportation, utility, government and resources sectors.

The Macquarie Group has leveraged its infrastructure expertise through the establishment of specialized infrastructure funds. Macquarie currently manages over \$9 billion in publicly listed and private infrastructure funds investing internationally in assets such as toll roads, airports, pipelines, transmission assets and infrastructure. In Canada, Macquarie infrastructure funds have major investments in Canadian assets, including Highway 407, the world's largest privatized tollroad (43%), AltaLink LP (15%) and the Detroit-Windsor Tunnel (100%).

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