

PUBLIC PRIVATE PARTNERSHIP AND INFRASTRUCTURE UPDATE



ALBERTA KEEN ON PPP MODEL

Ralph Klein recently delivered his annual address and touched upon the need for Alberta to increase its commitment to infrastructure spending. Below is an excerpt from his speech:

“Provincial infrastructure is another area of concern to many Albertans. With the growth in the province's economy and an increasing population, there are pressures on our infrastructure, whether you're talking about roads, waterworks, or public facilities.

I've seen the pressures myself. So have most of you. Whether I'm driving through downtown Calgary or Edmonton, or looking at the needs for upgrades to schools, the need for more and newer infrastructure is evident. I want Alberta to have the best roads and schools and hospitals that we can. But we can't afford to go on a spending spree to build them all at once. So, we're trying to find different ways to build and improve these facilities.

The need for more and newer infrastructure is evident. One option we're looking at is developing public/private partnerships and this will be done to offset the high capital costs of new infrastructure projects. The idea behind these partnerships is to have private investors pay the up-front costs of construction, which would then be offset by leasing costs paid by government over the long term. This means that instead of paying for an entire capital project up front, government could amortize its costs over time, much like a mortgage.

That's just one example of how such a partnership could work. Applied properly and responsibly, this partnership concept could bring new and much-needed infrastructure to Albertans quickly, and in ways that are affordable. Over the course of 2003, our government will consider a variety of options under this partnership concept, and report back to Albertans on when and how such projects will begin in Alberta. My hope is to have at least one of these projects launched this year.”

NEW EXECUTIVES NAMED TO PARTNERSHIPS BC

Partnerships BC, an agency established by the province last May to nurture public private partnerships has recently appointed two senior executives to the organization. Larry Blain has been appointed as president and chief executive officer and Suromitra Sanatani as vice president of corporate relations.

Blain has focused on public finance and privatisation since he began his investment banking career in 1984. Prior to joining the private sector, Blain was director of central borrowing and planning for the Provincial Treasury in Victoria and worked for the Bank of Canada for three years.

Sanatani, a lawyer by training was most recently vice-president of the Canadian Federation of Independent Business for BC and the Yukon where she represented the views of 50,000 small and medium-sized businesses on labour and employment issues.

ABBOTSFORD HOSPITAL RFEI

Partnerships BC is inviting parties to submit an Expression of Interest to finance, design, build, maintain and operate facilities services for the new Abbotsford Hospital and Cancer Centre. The project is a combined initiative of the Provincial Ministry of Health Services, the Fraser Valley Regional Hospital District, the Fraser Health Authority, the Provincial Health Services Authority and the BC Cancer Agency. The Facility will be approximately 55,000 square metres and will be on a “greenfield site”. The Abbotsford Hospital and Cancer Centre is planned as a 300-bed replacement for the aging MSA Hospital in Abbotsford.

Submissions are due March 31, 2003.

MACQUARIE ADVISES P&O ON BCR MARINE ASSETS

The BCR Group of Companies and P&O Ports, a division of the Peninsular and Oriental Steam Navigation Company announced they have signed an agreement for the sale of Casco Terminals and Canadian Stevedoring to P&O Ports. P&O Ports is one of the world's largest container terminal operators and developers.



P&O Ports will pay \$105.6 million for the assets of Casco Terminals and Canadian Stevedoring. The respective Boards of Directors have approved the transaction. The agreement is conditional on the fulfillment of certain conditions, including clearance from the Canadian competition bureau. Closing is anticipated to be in mid to late February 2003. Macquarie was the sole financial advisor to P&O on the transaction.

CALGARY LAW COURTS

Alberta Infrastructure has embarked on a process to shortlist no more than four qualified respondents for the opportunity to undertake the development, design, construction, financing, ownership and property management of a consolidated law court facility in Calgary. The opportunity involves the centralizing of the Court of Appeal, Court of Queen's Bench and four divisions of the Provincial Court into a consolidated facility(s). It is intended that the successful qualified respondent from the RFP process will enter into a development and lease agreement with Alberta Infrastructure for the delivery and long-term operations of the Calgary Law Courts.

VGH MOVING AHEAD

BC's first public-private partnership project involving the construction and operation of a large, integrated health care facility is moving ahead. The Vancouver Coastal Health Authority received nine submissions from interested respondents and is in the process of distilling the respondent list down to three parties

who will be invited to participate in the request for proposal stage.

The PPP project will result in an innovative new care centre for the health authority that will improve patient services, while enhancing training for medical students. At present, ambulatory or "walk-in" patient care services at VGH are provided by various medical disciplines at different locations. The new facility will coordinate ambulatory patient care services, along with medical education, physician practice offices, research and related commercial/retail activities – at one site. It will also accommodate teaching functions in a clinical setting, with lecture and seminar rooms, a library and clinical teaching rooms integrated with specialized hospital clinics and private specialist offices. The centre is expected to support several hundred medical students, over 580 medical and allied professionals, and an estimated 600,000 patient visits annually.

BC GAS AND PENSION FUND CONSORTIUM CLOSES ACQUISITION OF EXPRESS PIPELINE

A consortium including BC Gas Inc., Borealis Infrastructure Management Inc., and Ontario Teachers' Pension Plan completed the acquisition of the Express Pipeline System from EnCana Corporation in early January. The purchase price was approximately \$1,175 million, including assumed debt of approximately \$582 million, subject to closing and post-closing adjustments. The Express Pipeline System is a major export pipeline for Canadian petroleum production, transporting crude oil from Hardisty, Alberta to Casper, Wyoming, and on to the Wood River, Illinois area via the Platte Pipeline.

Macquarie was co-advisor with First Energy of Calgary on the transaction.

TWO NEW HOSPITAL PPPs FOR ONTARIO

Two new hospital PPPs are being undertaken in Ontario. The projects, at Royal Ottawa Hospital and the William Osler Health Centre, allows the hospitals to focus on providing clinical care services, and partner with the private sector which will design, construct, own, operate and maintain the facilities via long-term leases. The Royal Ottawa Hospital has called on 3 consortia to produce Requests for Proposal by February 29, 2003. The William Osler Health Centre is currently assessing proposals and a preferred bid is expected to be announced in March.

MACQUARIE TAKES TOP SPOT IN PROJECT FINANCE RANKINGS

Project Finance International recently announced its 2002 rankings for project finance assignments and Macquarie took top honours in the Americas and was ranked # 2 globally:

Americas advisory mandate won 2002	Mandates
1. Macquarie	19
2. Citigroup	17
3. PwC	14
4. Fieldstone	9
5. Babcock & Brown	8
6. ABN AMRO	5
7. Dexia	4
8. Mizuho	4
9. CSFB	4
10. Taylor de Jongh	3
11. KPMG	3
12. Deutsche	3
13. Caja Madrid	2
14. ING	2
15. Lehman Brothers	2

NEW HIRES AT MACQUARIE

Macquarie continues to add to its Canadian platform with two additions in Vancouver and two in Toronto.

Duncan Ball joined the Vancouver office after 12 years of investment banking experience at RBC Capital Markets and CIBC World Markets. Tim Mack has transferred from Macquarie's Sydney headquarters where he focused on transport advisory work, having recently advised the Australian government on its A\$1.2 billion privatisation of National Rail and FreightCorp.

Kevin Warn-Schindel joined the Toronto office from the investment banking group at RBC Capital Markets where he spent 5 years. Previously, he was an advisor to two Canadian cabinet ministers. Kevin is a member of Macquarie's new global unlisted equity team headed by Peter Salisbury.

Alina Osorio joined the Toronto Office after 5 years of experience at RBC Capital Markets and 3 years experiences in Equity Research at Midland Walwyn Capital.

INTERNATIONAL NEWS

Macquarie recently acted as financial advisor to Tubelines in their bid to acquire a 30 year service contract for the maintaining and upgrading of the Jubilee, Northern and Piccadilly lines of the London Underground. The transaction value is approximately £6.9 billion.

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 4700 people in 18 countries. The Group is headquartered in Australia, where our parent company, Macquarie Bank, is recognised as the leading investment bank and is one of Australia's top 40 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 C\$9 billion in publicly listed and private infrastructure funds investing internationally in assets such as toll roads, airports, pipelines, transmission assets and other infrastructure. In Canada, Macquarie infrastructure funds have major investments in Canadian assets, including Highway 407, the world's largest privatized tollroad (43%), and the Detroit-Windsor Tunnel (100%).

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