



Presentation to the Macquarie Power and Infrastructure Income Fund Investor Day on “Canada’s Infrastructure Deficit and the Role of P3’s”

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Does anyone believe we don't have an Infrastructure Deficit?

Deficit shown by:



- gridlock on the road systems in Toronto and other major cities
- leakage of over 25% of water pumped through our water system
- overcrowded and inadequate health care facilities
- congested border crossings outdated and inadequate electricity transmission systems
- overcrowded court houses





How did we get into this position?

- Governments changed their spending priorities over the past 50 years.
- Priorities moved from infrastructure spending (e.g. 400 series of highways, Toronto subways) in the 1960's to social spending (e.g. education and then health care) and then to deficit reduction and elimination in the late 1990's.





Cost of the Infrastructure Deficit

- Failure to invest adequately in infrastructure has:
 - Hurt our quality of life.
 - Undermined our economic competitiveness.
(highlighted by everyone from the Toronto Board of Trade to the Governor of the Bank of Canada)
- Metrolinx study released in September 2008 stated that congestion in GTA is costing the economy \$6.3 billion per year.



Level of Spending to Deal with Infrastructure Deficit

- Federation of Canadian Municipalities has estimated that municipalities would have to spend \$120 billion to deal with the infrastructure deficit at the municipal level.
- Spending across Canada to deal with the deficit is estimated to be in the order of \$200 to \$300 billion, excluding spending on energy infrastructure such as pipelines and electricity transmission and distribution.





Canadians Recognize the Issue

- 88% of Canadians believe that: “Governments are having trouble keeping pace with demands for new and improved public infrastructure or services”.
- 63% believe that: “It is time to allow the private sector to deliver these types of services in partnerships with governments”.
- 61% of union households support private sector involvement.



(survey of 2,000 adult Canadians carried out by Environics Research Group for the Canadian Council for Public-Private Partnerships in September/October 2007)



Role of P3's

- P3's mobilize private sector expertise, management and financial capability to deliver needed infrastructure.
- By spreading out financial commitments, P3's allow governments to have infrastructure built without incurring rising deficits or increased taxes.
- Overall, P3's have a commendable record of delivering projects on time and on budget. (e.g. Southeast Edmonton Ring Road)



Current P3 Activity in Canada

- 76 projects across Canada of which:
 - 26 are in the Proposal Stage
 - 50 have reached financial close and are now in various stages of development

- Types of projects:
 - Health Care Facilities (B.C., Ontario and Quebec)
 - Roads and Bridges (B.C., Alberta, Quebec and New Brunswick)
 - Rapid Transit (B.C.)
 - Schools (Alberta, New Brunswick, Nova Scotia)
 - Court Facilities and Detention Centres (Ontario and New Brunswick)
 - Water Treatment (B.C. and Ontario)
 - Recreational and Cultural Centres (Quebec and Ontario)





Future P3 Activity (1)

- Spending on infrastructure will accelerate over the next several years as a result of:
 - the need for a broad range of infrastructure renewal and development
 - the need to foster economic growth and create jobs in light of the mounting economic recession
- At the conclusion of the First Ministers Meeting on November 10, 2008, Prime Minister Harper stated:

“We all agreed that we should see infrastructure funding accelerated.”
- Governments throughout the world have announced increased investment in infrastructure. (e.g. China, Australia, Mexico, U.K.)



Future P3 Activity (2)

- In Canada, we can expect continued high levels of P3 activity in health care facilities and transportation.
- New or expanded areas of P3 activity can be expected in border crossings and water/wastewater facilities.
- P3 activity will spread more broadly across the country involving the federal, provincial and municipal governments.



Future P3 Activity (3)

- Current adverse conditions in the financial markets have created a new set of considerations/concerns for P3 projects:
 - availability of debt
 - rising interest rates and debt re-pricing
 - financial strength and management capabilities of partners (e.g. requirement for more equity, bonding availability)



Future P3 Activity (4)

- P3's in Canadian infrastructure represents an attractive investment opportunity:
 - good quality, tangible assets which hold their value even in adverse conditions
 - generally predictable cash flow to service debt and pay dividends to equity
 - Canada has a growing number of proven financial, construction and O&M players
 - Macquarie brings unequaled international expertise and resources to the P3 market



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