

Port Property Management and Pricing Seminar

Private Capital for Public Ports

October 24, 2006

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Current Infrastructure Environment

- Well developed capital markets for port projects
- Municipalities continue to have access to tax subsidized capital in U.S.
- High degree of transaction transparency
- Private sector involvement in design, construction, maintenance, financing
- Proliferation of equity funds dedicated to infrastructure



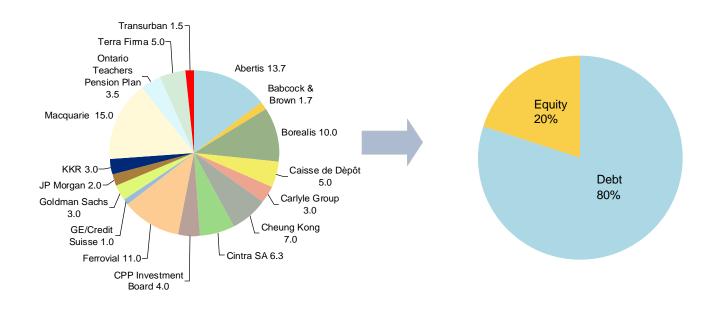
Current Infrastructure Industry Environment

Over the last two years, infrastructure purchasing power has expanded to almost \$500 billion in available capital

 Infrastructure equity is a large pool of global capital that seeks to invest pension and insurance funds in steady growth, lower-risk assets on a lowered-return basis

Available Infrastructure Equity (1) \$Bn

Total Levered Purchasing Power \$Bn



Total Available Funding ≈ \$96BN Total Available Funding ≈ \$495BN



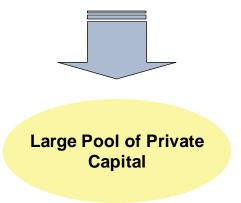
Latin America and the United States

1. Estimated fund sizes

The appetite for steady growth assets has been fueled by an explosion in available pension fund and insurance fund capital

Economic Shifts Increase Private Capital

- Unfunded pension needs around the world have increased reliance on self-funding of retirement income
- Governments have begun to implement policies that have created larger pools of investable capital
- Tax advantages for private savings to fund retirement incomes (e.g., 401 (k))
- Compulsory private savings
 - In Australia, employers must contribute 9% of wages to retirement savings plans



Key Infrastructure Investment Characteristics

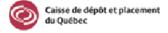
- Long Duration
- Strong Cash Yields
- Inflation Protection
- Stable, Predictable Cash Flows / High Margin
- Exposure To Measured Growth
- Monopolistic / Oligopolistic Operations
- Stable Sovereign Credit (Govt. Asset Leases)

Examples of Pension and Insurance Investors













At the same time, municipal assets have been slow to come to market

 Governments have a significant opportunity to capitalize on the imbalance between infrastructure supply and demand

Currently there is more infrastructure capital available than assets being monetized

Infrastructure Capital

Available Resources

- Large sums of uninvested capital
- Competitive (but not superior) capital costs
- Increased competition for scarce resources
- Focus on U.S. as growth market
- Proven global track record of successful projects
- Willingness to team with established operators

U.S. Assets

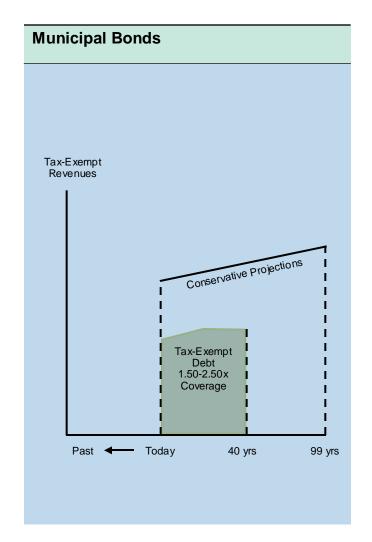
Significant Capital Needs

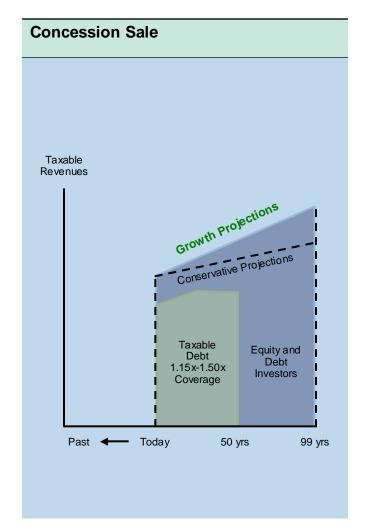
- Looming large maintenance and expansionary capital expenditure requirements across the nation
- Unfunded projects/unfunded mandates
- Tax increases as a funding mechanism increasingly unpalatable



Infrastructure purchase prices are driven by equity investors willing to pay for steady growth

 Unlike the tax-exempt bond market which is limited by term and coverage, the infrastructure equity market can structure debt more aggressively and capture asset "upside"







Municipalities are launching more strategic advisory RFPs...

Illinois Special Advisory (9/05)

REQUEST FOR PROPOSALS TO PROVIDE

FINANCIAL ADVISORY SERVICES

INTEREST RATE EXCHANCE AGREEMENT ADVISORY SERVICES

And

ADVISORY SERVICES FOR SPECIAL PROJECTS

Relating to

State of Illinois Bond Programs And Assets, Programs and Agencies of the State

Issued by

The State of Illinois

Executive Office of the Governor Governor's Office of Management and Budget

September 8, 2005

PROPOSAL DUE BY 5:00 PM (CDT), September 23, 2005

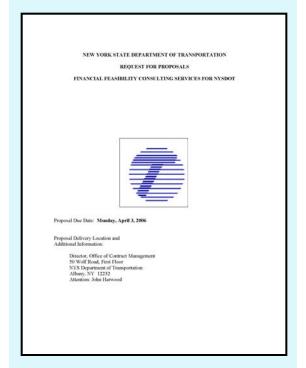
Proposal Responses should be addressed and directed to:

Mr. John B. Filan, Director overnor's Office of Management and Bu 603 Stratton Building Springfield Illinois 62706

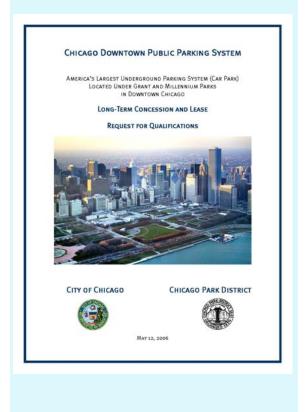
(Note also electronic delivery address herein)

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New York DOT Advisory (4/06)



Chicago Parking System (5/06)





6

...and simultaneously evaluating multiple asset classes

Illinois Student Loan Advisory (7/06)

STATE OF ILLINOIS

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES



REQUEST FOR PROPOSALS

ILLINOIS STUDENT ASSISTANCE COMMISSION Strategic Financial Advisory Services #ISAC20061

New Jersey Advisory (8/06)

REQUEST FOR QUALIFICATIONS (RFQ)

ASSET MONETIZATION FINANCIAL ADVISOR

Appointment to Asset Monetization Financial Advisor Pool for a One-Year Period

Issued by the State of New Jersey The Office of the State Treasurer

Date Issued: August 15, 2006 Responses due by 3:00 PM EST on August 29, 2006

> Bradley I. Abelow State Treasurer State of New Jersey Department of the Treasury

Illinois Lottery Advisory (9/06)

STATE OF ILLINOIS

Governor's Office of Management and Budget



REQUEST FOR PROPOSALS

(To Provide Financial Advisory Services to the Governor's Office of Management and Budget)



International privatizations are leading indicators for the U.S.

	Toll Roads	Airports	Ports	Utilities	Lotteries	Parking	Other Assets
Overall Level of Activity							
Infrastructure Investment Characteristics	 Embedded toll increases Definable capital requirements 	 Steady airfield volume base Ability to grow non-airfield revenue 	 Essential import/export infrastructure Levered exposure to GDP 	 Significant barriers to entry Long term "take or pay" contracts 	 Monopoly user base Revenue resilient to economic downturn 	 Exposure to CPI based rate increases Potential IPO roll-up 	 Steady cash flow Assigned ability to raise price with inflation
Recent Market Events	 \$2.2Bn Toronto Highway 407 \$15.4Bn Autoroutes Paris Rhin- Rhone (APRR) \$3.9Bn Indiana Toll Road; \$1.8Bn Chicago Skyway 	 Chicago Midway RFQ for long-term concession expected this fall London City Airport currently soliciting buyers \$1.7 Bn Paris Airport IPO 	 Associated British Ports bought by Goldman Sachs for over \$5Bn Currently 3–5 port operators in the market 	 \$1.6Bn privatization of Duquesne Light bought by Macquarie \$134Mn acquisition of Thermal Chicago by Macquarie 	 State of Illinois selecting advisor for IPO or long-term lease of State lottery Greek lottery privatized by government; Recently sold down controlling ownership 	 City of Chicago received bids this month for +9,000 parking space system 13 bidders respond to RFQ 	 Student Loan Portfolios Communication s assets Hospitals/ continuing care facilities Prisons



Public owner must evaluate the tradeoff between control and proceeds

