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News Release

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Private investment vital to improve public infrastructure *Global competition for private capital to fund roads, bridges, water projects and other public properties to heat up over next decade predicts Ernst & Young report*

NEW YORK, 12 SEPTEMBER 2007 – As recent events such as the collapse of the I-35W bridge in Minneapolis, Minnesota, show, public infrastructure around the world urgently requires investment to make necessary safety repairs and maintenance. The private sector could provide a major part of the solution for governments struggling to fund these projects, according to *Investing in Global Infrastructure 2007: An Emerging Asset Class*, a report released today by leading professional services provider Ernst & Young.

The huge capital demands of large-scale infrastructure projects around the world – running into the US\$ trillions over the next decade – will likely create intense competition among governments to attract private investment. The report estimates private sources could account for 10% to 15% (US\$240 billion to US\$360 billion) of the capital needed for infrastructure projects annually worldwide.

“There are good opportunities to create win-win situations,” explains Dale Anne Reiss, Ernst & Young’s Global Real Estate Director. “Governments urgently need funding and private-sector expertise to improve or replace aging infrastructure. And investors can benefit through the steady, long-term returns infrastructure investments can provide.”

“The growing need for private capital for infrastructure is caused by the budget shortfalls municipal and national governments around the world have faced in recent years,” says Reiss. “Private capital supporting public infrastructure is not new. But what is new is the extent and the sophistication of private investment. It is truly emerging as a new asset class. Governments wanting to embrace private finance need to educate the public about the benefits, and overcome fears of losing control of public assets.”

Governments with the political will and a coordinated approach to building and preserving key infrastructure will attract the most attention from private investors and be offered the best terms, according to the report. “In many cases private investors bring tremendous experience in managing large scale projects, potentially at lower costs than public agencies,” Reiss concludes.

Other key points of the report include:

- In the United States the American Society of Civil Engineers (ASCE) estimated in their 2005 Infrastructure Report Card that US\$1.6 trillion needs to be spent over a five-year period just to bring the nation’s infrastructure up to ‘good’ condition.

- In Australia, the average cost of toll road construction has doubled in the past few years from US\$427 million (A\$500 million) to US\$854 million (A\$1 billion) per road project.
- In Brazil, public funding of infrastructure has been severely constrained by the fact that the country already has a huge national debt running roughly 50 percent of Gross Domestic Product (GDP).
- In China, the government is investing state funds heavily in infrastructure development but is also inviting foreign investors and their advanced technologies to take part in toll road, water supply, and renewable energy projects.

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Note to editors:

About Investing in Global Infrastructure 2007: An Emerging Asset Class

This new report takes a global approach to the emerging issue of private investment in infrastructure – roads, bridges, airports, rail lines, water utilities and energy generation and distribution systems. It discusses the range of vehicles through which private capital is able to invest in public infrastructure: through privatizing public companies purchased direct from governments, such as municipal utilities and water companies; public private partnerships (PPPs); infrastructure funds investing in single or multiple sectors such as transportation and utilities; ‘greenfield development’ including new construction of public infrastructure; and operating existing infrastructure assets such as toll roads and bridges through long-term concession agreements with public agencies.

The report provides detailed analysis, including the tax implications, of investing in infrastructure projects in the most mature infrastructure markets: Australia, Canada and the UK; as well as the markets considered to hold the greatest potential for infrastructure investment: the United States, Brazil, China, India, and Russia.

In addition to interviews with Ernst & Young professionals in these countries, it also includes interviews with key players involved in the infrastructure investment market, including Australia’s Macquarie Bank and public officials, such as members of California Governor Arnold Schwarzenegger’s executive team. The report is available at www.ey.com/infrastructure

The following are selected quotes from the report:

On International Investment in Australian Infrastructure Projects:

“Today in Australia, we are seeing increasing opportunities [in infrastructure projects] for international investors, mainly because there are more mega-deals in the billion dollar range.”

-- Bill Banks, Head of Ernst & Young Australia’s Infrastructure Advisory Group.

On Private Investment in the Australian Water Sector:

“The scope of private investment opportunities in the water sector has not yet been defined [in Australia]. This creates potential opportunities for those investors that move ahead of the rest.”

--Vanessa Sullivan, Ernst & Young Australia

On the Scale of Infrastructure Investment Required in Brazil:

“Over the next five years, Brazil has a need for US\$30 billion (BRL 57 billion) annually in public and private capital for investment in infrastructure.”

-- Luiz Claudio S. Campos, Transaction Advisory Services, Ernst & Young Brazil

On Investing in the Renewable Energy Market:

“Financial structuring is a big issue in the renewable energy and waste market sector. Investors want to know which regulatory regime produces the best returns and greatest tax neutrality. In our experience, capital flows rapidly from one jurisdiction to another depending on returns.”

-- Jonathan Johns, Head of Renewables, Waste & Clean Energy, Ernst & Young UK

On Opportunities for Construction Contractors to Invest in US Transport Infrastructure:

“The challenge for US contractors is how to position...to play in what is expected to be a growing market for private investment...without putting their entire balance sheet at risk?”

-- Mike Lucki, National Director of Construction Industry Services, Ernst & Young US

On Infrastructure Funds Acquiring Utilities:

“Infrastructure funds are interested in the long term success of the utility businesses they acquire. They see themselves as a holder of the asset, keeping the management team in place and maintaining the business.”

-- Joseph Fontana, Utilities & Power Industry Leader, Transaction Advisory Services, Ernst & Young US

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