



CPP
INVESTMENT
BOARD

**How to deliver
cost-efficient Investments
to meet the Infrastructure Gap**

April 2007



➤ **ATTRACTING GLOBAL INSTITUTIONAL CAPITAL**

- Sovereign Requirements
- Regulatory Environment
- Capital Markets
- Local Partners



➤ **SOVEREIGN REQUIREMENTS**

- Stable political and economic environment
- Transparent Legal System
 - Rule of Law
 - Statute
 - Effectiveness of Court System
- Cross party political support for private participation in Infrastructure Ownership



➤ **REGULATORY ENVIRONMENT**

- Essential for monopoly like utilities to protect the interests of consumers and investors
- Should be driven off two factors
 - attractive returns to allow capital investment
 - producing pricing which is affordable to the consumer
- This allows an improving economy with lowering return requirements to harvest those benefits with lower costs to consumers

= VIRTUOUS CIRCLE



➤ **CAPITAL MARKETS**

- Longer maturity debt markets in local currency
lower cost of infrastructure to the consumer
- Inflation linked debt issuance can be attractive
- Strong local institutional investors for bonds
 - Pension Systems
 - i.e. - Chile
 - Malaysia
 - Singapore
 - Australia
 - Canada



➤ **LOCAL PARTNERS**

Non political institutional investors ideal

- Pension Funds
- Life Insurance companies
- In developing countries could be:
 - Government
 - Quasi government entities
 - Political unaligned private companies



Infrastructure Supply and Demand

Push

Or ?

Pull



The more you push, the less interest institutional investors will have in funding other than on a contracted non patronage basis



PUSH

- Japan
- Singapore
- Malaysia

PULL

- USA
- Canada
- Australia



Private Sector Infrastructure

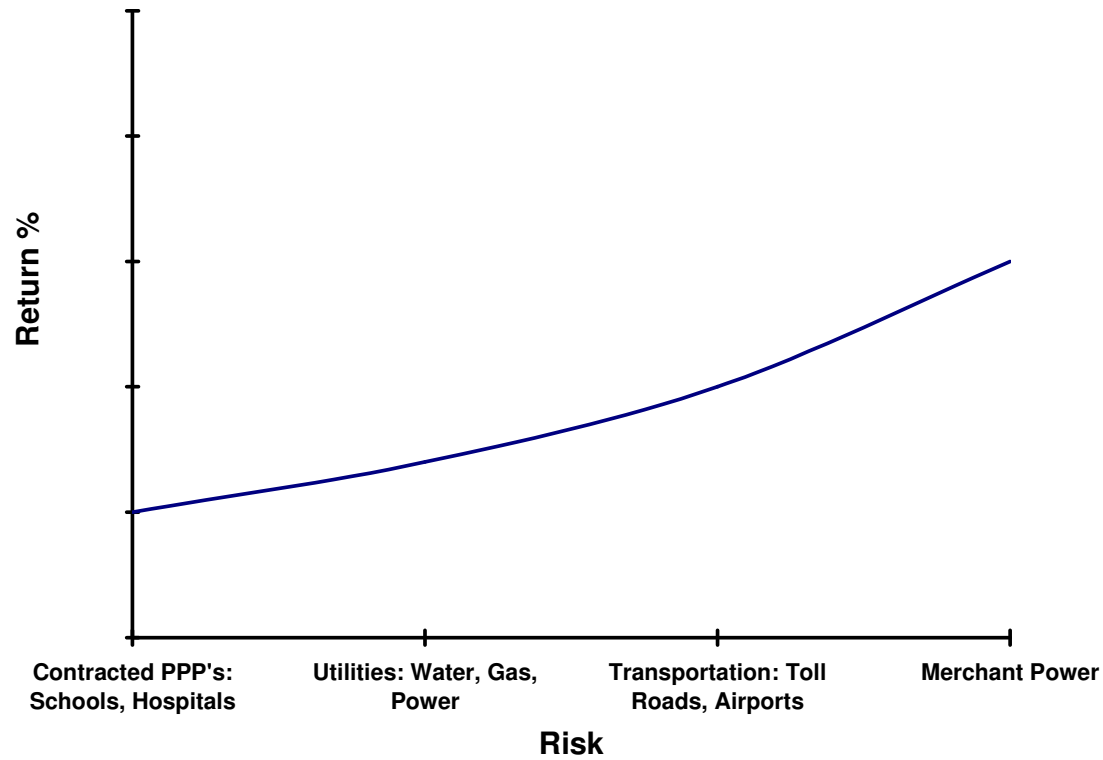
Cost of Infrastructure Equals

Construction Cost * (Debt Service Costs + Cost of Equity)

Term of Concession



➤ Risk Return for Infrastructure





Interesting Innovation in Push Infrastructure

Chile - Santiago toll roads have option to switch from a traffic risk concession of fixed life to an IRR based one which matures on achieving IRR.

Benefits

- Provides downside protection to lenders and investors improving:
 - Debt costs and duration of debt
 - Lowering investor IRR due to downside risk mitigation

= Lower Costs to Consumers