



MORRISON&CO

August 15, 2012

Bevan Woodward
Project Director and Trustee;
AHB Pathway Trust
5 Lilburn St,
Warkworth,
Auckland 0910,

Dear Bevan,

THE AUCKLAND HARBOUR BRIDGE SKYPATH (“The Project”)

Thank you for persevering with our questions about your project and going out of your way to explain the rationale behind your push for a bicycle and pedestrian bridge alongside the Auckland Harbour Bridge. We would like to offer up our support on this project.

As you know, Public infrastructure Partners LP (“PIP Fund”) was established in 2009 to invest in social infrastructure in New Zealand and Australia. The fund is ethical and an investment in a pedestrian bridge would be an excellent fit for our portfolio of social infrastructure assets.

The PIP Fund is a long-term investor with a ‘buy-and-hold’ philosophy, seeking stable, long-dated returns. The cornerstone investor in the Morrison & Co PIP Fund is the New Zealand Superannuation Fund, a sovereign wealth fund established to contribute to the future costs of New Zealand national superannuation. The fund has committed capital of \$176.5 million and all of the money committed to the fund comes from New Zealand based investors.

The PIP Fund is currently the only investor in New Zealand to have completed a transaction under the Treasury’s standard PPP contract. This year we signed an agreement to design, build, finance and maintain two new schools in Hobsonville for the next 25 years.

Based upon a review of the technical submission and traffic forecasts that you sent through to us, we believe that the project can be funded with a little public sector support. The PIP Fund would not need to secure bank debt to fund the development of this project and all project costs could be met through an injection of investor capital.

As presented, the project is a more profitable investment than the PIP Fund requires, however, revenues are largely unproven and this is a risk we usually avoid. It is our view that “value for money” will be maximized if volume risks on the project are shared between project stakeholders. Using the current revenue projections the PIP Fund would be happy to fund the project on the basis that:

- The public sector and/or AHB Pathway Trust receives 75% of all revenue associated with bridge use over and above the current business case

- The public sector provides, strictly limited, support to the project during the volume “ramp up” stage:
 - Where take up of demand is slow revenues are “topped up” to 75% of the business case level until they rise above this level.
 - The volume underpin falls away when:
 - Forecast bridge usage meets or is greater than forecast for a period of 24 months; and
 - The bridge has been open for 48 months.

All stakeholders play a part in delivering this infrastructure and we would envisage that both AHB Pathway Trust and the public sector partner will have a director’s seat at project board meetings.

Our offer of funding is subject to:

- (i) Final stage confirmatory due diligence on the construction and operating costs associated with the project
- (ii) PIP Fund agreeing the base operating revenue scenario with AHB Pathway Trust and the public sector
- (iii) Final investment committee approval.

Please do not hesitate to give me a call if you have any questions about our offer of funding.

Yours sincerely,



Steven Proctor
Executive Director
Morrison & Co PIP Limited