

Stephen Mayne
The Mayne Report

26 March 2008

Re: MIG Corporate Governance and Independent Directors

Dear Mr Mayne,

In 'Death of the Macquarie Model' filed on your Mayne Report website on 25 March 2008, you made a number of criticisms and comments about Macquarie Infrastructure Group (MIG) and of certain of the independent directors of the entities comprising MIG.

I have dealt below with the main points you raised in your piece. I trust the information set out will be taken into account for any future stories commenting on MIG and/or the independent directors of its constituent entities.

Independent directors

As you have been aware for a number of years, MIG has a triple-stapled structure comprising two Australian trusts and a Bermudan mutual fund company. Assets are held by different entities and each entity efficiently passes distributions sourced from the various assets to fund investors (MIG has 11 assets in seven countries).

MIG has two boards, one is the responsible entity for the Australia trusts and the other governs MIG's Bermudan mutual fund company. My comments below on governance apply to both.

MIG's Australian board has a majority of independent directors and the Bermudan board has 50% independent directors. To be classified as independent, directors must satisfy a number of criteria. These criteria are published on MIG's website and in its annual report and restrict the nature and extent of any relationship a prospective director may have with Macquarie. Against this context I can confirm:

- That all of the current independent directors satisfy MIG's published independence criteria;
- Each independent director must confirm their independence status on appointment, annually thereafter and must notify Macquarie if at any time they cease to meet the criteria, and;
- Each independent director is a highly qualified and reputable business person with a long track record of performance in the commercial sector.

As Chairman of MIG I would observe that the independence of our directors does not rely on who appoints them but on their independence of mind, including an ability to constructively challenge and independently contribute to the boards.

All of MIG's independent directors have their reputations at stake when they accept an appointment to act in that capacity. They are required by law and contractually to prefer the interests of MIG security holders to those of Macquarie. They accordingly take their obligations to act in the best interests of MIG security holders extremely seriously. Any insinuation otherwise is rejected.

Macquarie's ability to make board appointments

With the exception of one director on the Bermudan board who normally stands for election, appointments to the boards of MIG are made by Macquarie. This approach is in accordance with Macquarie policy and has been fully disclosed to MIG's investors.

The approach reflects that investors are principally seeking to harness Macquarie expertise as well as that of external directors in managing their investment in the fund. Investors recognise Macquarie's expertise in sourcing, integrating and managing listed and unlisted funds and their assets globally. Macquarie therefore regards the selection of directors to the relevant Macquarie entities as an important contribution to the performance of the fund.

Evidence of Acquisition Discipline in MIG

In your piece you state: "*Why buy into something where the management have a financial incentive to gear up and pay top dollar for even more assets?*"

MIG has established investment criteria and a sound track record of acquiring and integrating quality toll roads. This is evidenced by the following:

- Since MIG's listing in 1996 Net Asset Backing, which MIG believes is the best available ongoing measure of the increasing value of its portfolio, has shown 18% compound annual growth, and;
- MIG has distributed A\$3.7 billion to investors since January 2005 – approximately 50% of MIG's current market capitalisation.

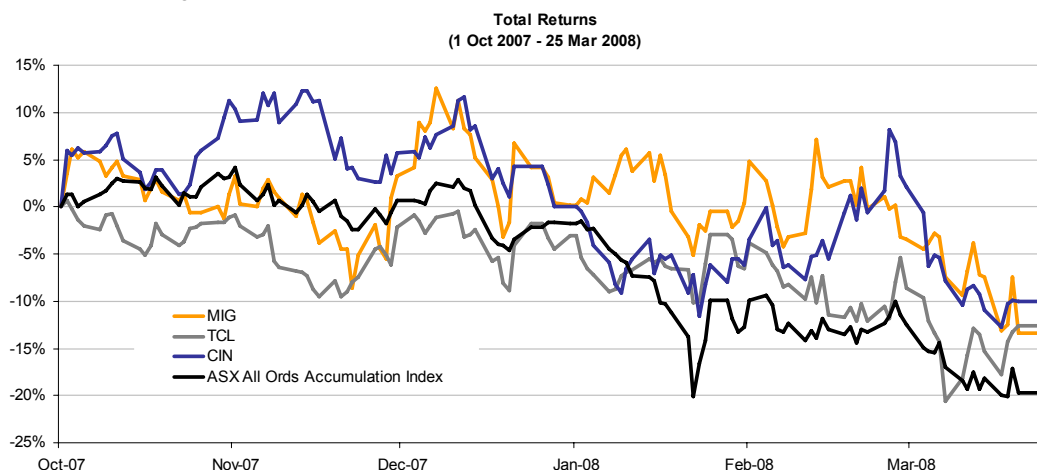
There has also been external confirmation of MIG's acquisition discipline:

- Cintra reports valuations for the assets in which it coinvests with MIG. It is a matter of public record that Cintra's valuations for 407ETR, Chicago Skyway and Indiana Toll Road exceed MIG's valuation for those assets;
- The security price of the listed portion of the Autoroutes Paris-Rhin-Rhône (APRR) also exceeds MIG's valuation of its interest in APRR, and;
- MIG has been outbid for acquisition opportunities including Cross City Tunnel, Lane Cove Tunnel, a package of toll roads in Mexico and the SH121 project in Texas.

With respect to fees, the formulae for base and performance fees have been clearly disclosed since their inception and both are driven primarily by MIG's market performance. Base fees are derived from market value and performance fees from sustained outperformance of an appropriate market index. Accordingly if the MIG security price falls then the base fee reduces and performance fees are less likely to be earned.

Performance of MIG

In common with the infrastructure sector and the market more generally, MIG's security price has been impacted by an extremely volatile market and must be seen in that context. In your piece you cited MIG's security price performance as reason for the independent directors to require management to be internalised. The graph below compares total returns (capital appreciation and distributions) from MIG with the All Ords Accumulation Index and with those of two listed toll road businesses, both with internalised management structures, since 1 October 2007.



Source: ASX and Madrid Stock Exchange.

I would encourage you to contact MIG if you have any other queries. To assist in this, MIG's Public Affairs Manager, Paul Gregory, is readily available on 8232 4422.

Yours sincerely,

Mark Johnson
Chairman
Macquarie Infrastructure Group