



# **Brookfield Infrastructure Partners L.P. 2010 Fourth Quarter and Year-End Results Conference Call/Webcast Transcript**

**Date:** Friday, February 4, 2011

**Time:** 9:00 AM EST

**Speakers:** **Tracy Wise**  
Vice President Investor Relations

**Samuel Pollock**  
Chief Executive Officer

**John Stinebaugh**  
Chief Financial Officer

**OPERATOR:**

Welcome to the Brookfield Infrastructure Partners Conference Call and Webcast to present the Company's 2010 Year End results to unit holders. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an option to ask questions. At this time, I'd like to turn the conference over to Tracy Wise, Vice President, Investor Relations and Communications. Please go ahead Ms. Wise.

**TRACY WISE:**

Thank you, operator and good morning. Thank you all for joining us for Brookfield Infrastructure Partners 2010 Year-End Earnings Conference Call. On the call today is Chief Executive Officer, Sam Pollock, who will discuss highlights for the year, provide comments on our strategy and the outlook for our business. Also joining us is John Stinebaugh, our Chief Financial Officer, who will review our financial results. Following their remarks, we look forward to taking your questions and comments.

At this time, I would like to remind you that in responding to questions, and in talking about our growth initiatives, and our financial and operating performance, we may make forward-looking statements. These statements are subject to known and unknown risks and future results may differ materially. For further information on known risk factors, I would encourage you to review our Annual Report on Form-20F, which is available on our website. With that, I would like to turn the call over to Sam Pollock.

**SAM POLLOCK:**

Thank you, Tracey. And I'd like to wish good morning to everyone on our call today.

When we launched Brookfield Infrastructure in 2008, our goal was to establish a leading, global infrastructure company that would be able to participate in the substantial investment opportunities that we foresaw unfolding within the industry. With the closing of the merger between Brookfield Infrastructure and Prime Infrastructure (Prime) during the quarter, we have taken a significant stride towards achieving this goal. With our consolidated ownership position in a number of our core assets and a broader unitholder base, we have meaningfully enhanced our access to the debt and equity capital markets, which will facilitate our future growth. In addition, we made excellent progress in 2010 advancing a number of key growth initiatives within our operations.

During this past year, we witnessed substantial momentum shifts in economic activity in North America and Europe. With high levels of unemployment and severe budget deficits, economic volatility in these regions will likely persist. However, we believe that the global economy is returning to a growth trajectory similar to the period prior to the 2008/2009 recession. As growth accelerates, we expect that supply- demand imbalances for soft commodities, base metals and energy will resume, which may lead to higher than average levels of inflation. In this environment, inflation-protected assets such as our own are well-positioned to increase in value. This outlook, in conjunction with low interest rates, is fueling a highly competitive environment for acquiring infrastructure assets. So while we continue to look for new investment opportunities that are complementary with our existing operations, we intend to remain disciplined in our underwriting approach.

Several of our operating platforms have strong market positions that should enable us to participate in the expected increase in demand for energy and commodities. Within our portfolio, we have in excess of \$900 million of near-term, accretive growth opportunities primarily driven by the opportunities to expand our Australian railroad and our utilities platform. As a result, we are pleased to report that we are not dependent on new investments to meet our growth objectives for the foreseeable future. In 2010, we upsized our corporate credit facility to \$700 million so that we have sufficient liquidity to fund these growth initiatives as well as the working capital needs of our business. During the coming year, we look forward to updating you as we make progress in executing these expansion projects and delivering upon our growth potential.

Now, with that, let me turn you over to John to review our operating results.

**JOHN STINEBAUGH:**

Thanks Sam. Now, I would like to spend a few minutes walking through our results of operation. In my remarks, I will focus on our proportionate FFO, which is equal to net income plus depreciation & amortization, deferred taxes and other items. We highlight this metric because we believe it is a good proxy for the cash flow from our operations. I will also focus on AFFO yield, which is equal to FFO less maintenance capital expenditures divided by invested capital, which is a measure of how effectively we deploy our capital.

In 2010, we posted a solid performance with FFO of \$197 million, or \$1.79 per unit, compared with \$49 million, or \$1.03 per unit, in 2009 after eliminating the gain on the sale of our Brazilian transmission

investment. On a per unit basis, our FFO increased by 74%, primarily due to accretion from our investment in the Prime recapitalization in November of 2009. For the year, our payout ratio was 60%, which is within our target range of 60 to 70%.

In 2010, our utilities segment generated FFO of \$144 million. After deducting maintenance capital expenditures of \$13 million, our AFFO yield was 15% on an invested capital base of \$1.3 billion. Our AFFO yield was driven by strong performances from our Australian coal terminal and our electricity transmission businesses, which benefited from revenue indexation in our Chilean operations.

Over the last two months, Queensland, Australia has been devastated by torrential rainfall that was 300% above normal levels. This has caused wide-spread flooding in the region including at the coal mines in the Bowen basin. As a result, coal production was substantially curtailed, and the rail network operated under speed restrictions. On December 24th, a train derailed preventing coal from being received at the terminal until January 1, 2011. In the past week, two tropical cyclones passed over or near the terminal, causing it to close from January 30 until February 3. In December and January, our coal terminal operated at approximately 55% of its 85 mpta capacity. Despite the devastation caused by this severe weather, we are fortunate to report that the terminal's employees remained safe and its financial performance was not impacted due to resilient take-or-pay contracts that do not have force majeure provisions.

Our transport and energy segment earned FFO of \$91 million in 2010. After deducting maintenance capital expenditures of \$36 million, we generated an AFFO yield of 9% on an invested capital base of \$1.2 billion. Our results were impacted by lower FFO from our North American gas transmission business due to the phase-in of its rate settlement and softness in the U.S. gas market. This was partially offset by an increase in FFO from our UK Port due to higher conservancy revenue. In 2010, our UK Port's Teesport container volumes increased by 40% over the prior year, and this container terminal is currently operating at capacity, which negatively impacted its margins for the year. The £17 million terminal expansion project that we commenced last quarter will increase our capacity and enable us to return our margin to historical levels.

As previously reported, Western Australia has been impacted by drought conditions which caused the 2010 grain harvest to be downgraded. While conditions have been more favourable than we initially anticipated, we are projecting an approximate A\$16 million reduction to revenues through the middle of

2011. During the fourth quarter of 2010, we aggressively reviewed our operating cost structure in order to implement savings, and we believe that we will be able to mitigate a significant amount of this revenue shortfall.

Our timber platform generated FFO of \$11 million in 2010, compared to negative \$3 million in the prior year. This represents an AFFO yield of 2%. For the year, we increased sales by 23% over 2009 as a result of improved market conditions which enabled us to realize a 10% increase in average log prices. Improved market conditions were driven by a strong export market which forced the domestic market to compete for logs in the latter part of the year. Despite the improved market conditions, our 2010 harvest was 23% below our long run sustainable yield as we continued to preserve our high margin Douglas-fir inventory for sale when log prices fully recover.

The rapid development of the Chinese market has been particularly encouraging for our timber business. In 2010, shipments of logs to China represented 36% of total export volume, up from 11% in 2009.

As a result of the implementation of certain voting arrangements with Brookfield Asset Management following the Prime merger, Brookfield Infrastructure is able to consolidate most of its operating companies, including its timber operations. We believe that this will facilitate the preparation of audited financial statements, presented in accordance with IFRS that have a greater level of detail. We hope that this will enable investors to gain a better understanding of Brookfield Infrastructure's financial position and operating results.

While our maturity profile is relatively modest in 2011 and 2012, we have been working hard to extend the duration of our debt portfolio to take advantage of the current low interest rate environment. In January of this year, we launched a \$300 million issue in the Chilean capital markets to refinance a 2011 maturity. As a result of strong demand, our Chilean transmission operation executed its lowest cost and longest term issue ever, with an average life of 18 years. We are currently in the market to refinance the near-term 2011 maturities at our Australian coal terminal and hope to have similar success.

At year end, we had \$684 million of corporate liquidity, primarily attributable to our \$700 million credit facility, which was upsized from \$500 million during the quarter. In addition, we had \$200 million of

cash retained within our operations which we will use for growth capital projects and working capital purposes.

That concludes my remarks. Now I will turn it back over to Sam to walk through corporate, our strategy and outlook

**SAM POLLOCK:**

Thank you, John. Let me now move on and touch on some of our current growth initiatives. In 2010, we made substantial progress advancing a number of organic growth projects, most notably, in our Australian railroad and our utility segment. Let me begin with our railroads.

Driven by strong commodity prices, we're currently pursuing a number of significant projects to upgrade and expand the capacity of our network to serve our customers' growth objectives. Each project as completed will serve a diverse group of new mines by expansions and industrial projects.

There are in fact, about six projects that are notable because of how advanced they have become and the significant scale that they represent. Three of which represent new mine projects. That includes the Extension Hill Iron Ore Project, the Karara Iron Ore Project and the Yilgarn Iron Ore Project. In addition to that, there's a large scale fertilizer project underway, called the Collie Urea Project. And then two of our existing customers have been expanding some of their operations and these two operations include the Worsley Alumina Expansion and the Koolyanobbing Iron Ore Mine Expansion.

In total, we anticipate that these projects will increase the tonnage that is transported by our network by about 25 million tons per annum or 50%. The contract is either in place of each of these customers are currently under negotiation. The ramp up in tonnage related to these projects is expected to begin later this year and will continue through to 2014.

I do want to emphasize that while each of these projects is advanced, their ultimate timing is dependent on execution of the project by their sponsors and the availability of Port capacity, both of which are beyond our control. Also, in order to mitigate our capital risk, we intend to structure our real assets agreements to include take-or-pay provisions and security for early termination to the extent possible.

Our infrastructure is a critical component of the logistics chain in Western Australia and in many cases, it is the only economically viable means for the output from these projects to reach the export market. Significant capital was invested to establish the existing railroad corridor and we've been making additional investments to enhance capacity of certain sections of our network over the past number of years. Should all these projects proceed as expected, we anticipate investing a further \$600 million of capital over the next several years to upgrade and expand our networks. Combined with the benefits of our previous investments, this will result in incremental EBITDA of \$150 million to \$200 million per annum.

Turning to our utilities business, we finished 2010 with a capital expenditure backlog of approximately \$310 million, an increase of \$100 million compared with the third quarter. In addition to the Prime merger, the increase is largely attributable to an expansion project that our Chilean transmission operation executed with a mining company to facilitate an expansion of its copper mining operations.

We are also planning on closing construction financing for our Texas transmission project in the first half of 2011, and following approval of our final Certificate of Convenience and Necessity, we anticipate beginning construction, on schedule, in the latter half of the year. Also, in 2011, we will endeavor to progress discussions with the customers of our Australian coal terminal regarding the Dudgeon Point expansion.

In conclusion, during 2010, Brookfield Infrastructure generated an all-in-return of 34% for our unitholders compared to a 15% all-in return for the S&P 500. While we won't be able to achieve this level of out-performance every year, it is our goal to provide our unit holders with a solid cash distribution, plus capital appreciation which should result from year-over-year growth in our per-unit FFO. In light of the solid footing of our company, we are pleased to inform you that our board has decided to increase our quarterly distribution by 13% to \$0.31 per unit or \$1.24 per unit on an annualized basis.

Based on the performance of the combined business in 2010 and our growth prospects, the business is positioned to meet or exceed the high end of our long-term distribution growth targets for the next several years. While factors may arise in the future which change our outlook, we feel confident about the road ahead at this time.

Finally, on behalf of unitholders, I'd like to thank the Board of Directors for their hard work and counsel and in particular, I'd like to welcome four, new, Board members, Jeff Blidner, David Hamel, Lou Maroun and Lars Rodert. I would also like to thank the hard work of three departing directors, Alex Erskine, Jonathan Hagger and Jamie Wallace, who helped guide us during our formative period.

Operator, that now concludes my remarks and so I'd like to turn our call back to you and open the floor for questions.

**OPERATOR:**

Thank you, sir. The first question comes from Linda Ezergailis of TD Newcrest. Please go ahead.

**LINDA EZERGAILIS:**

Thank you. Before I jump into my questions, maybe just a housekeeping question with respect to your average number of shares outstanding, what was that number for Q4 and the year?

**JOHN STINEBAUGH:**

Hi Linda, this is John.

**LINDA EZERGAILIS:**

Oh, hi John.

**JOHN STINEBAUGH:**

The average number of shares for Q4 was 157.4 million.

**LINDA EZERGAILIS:**

Okay, and then for the year?

**JOHN STINEBAUGH:**

I'm sorry, 157.4 million is the outstanding number of shares as of now.

**LINDA EZERGAILIS:**

Okay. And what is the average number issued?

**JOHN STINEBAUGH:**

So for the year, it's 110 million.

**LINDA EZERGAILIS:**

And what was the average for Q4?

**JOHN STINEBAUGH:**

Hold on one second and we'll get you the average for Q4.

**LINDA EZERGAILIS:**

Okay. Moving on to the real questions now. When we look at your significant growth Capex over the next couple of years, can you give it to us on a proportionately consolidated basis, your anticipated capital expenditures for 2011 and 2012 broken down by what amount of that is kind of firm from both a contractual and regulatory perspective versus anticipated?

**SAM POLLOCK:**

Hi Linda, it's Sam.

**LINDA EZERGAILIS:**

Hi Sam.

**SAM POLLOCK:**

So from a contracted, firm basis, the backlog that we disclosed in our utilities section is quite firm. There are some times, particularly, in Transelec, when some of the projects get moved from one period to another. So it's a little difficult for us to say exactly what is 2011 and what's 2012, but for the next two years, the number we've disclosed is a pretty solid number and it is on a proportionate basis.

**LINDA EZERGAILIS:**

Okay, so would it --?

**SAM POLLOCK:**

As it relates to --

**LINDA EZERGAILIS:**

Sorry, would it be reasonable to say that it's half this year, half next year or is it front-end loaded, back-end loaded based on your outlook right now?

**JOHN STINEBAUGH:**

I think it's half this year half next year is probably a pretty good guesstimate for that, Linda.

**LINDA EZERGAILIS:**

OK, and then your Australian railroad would be your other big one?

**SAM POLLOCK:**

Yes, there's a few other ones. We've got some capital related to our port in the UK, that's relatively modest, probably about GBP10 million, plus or minus, and that will be spent over the next year and that's firm. And as it relates to the Australian railroad, a large amount of that capital relates to one or two particular clients of which the contracts have not been fully signed yet. So, I can't say it is completely in the bag yet. However, the mines are well underway and we do expect that over the next quarter or two we would have contracts in place with those customers and then we'd be able to provide you with a much more definitive schedule as to the amount of capital and the timing of that capital.

**LINDA EZERGAILIS:**

Okay.

**SAM POLLOCK:**

So, I guess what I'd like to say is that next quarter or the quarter after I'd be able to tell you.

**LINDA EZERGAILIS:**

Okay, I've never really looked at how to expand a railroad and how the CapEx profile might look. Once you start -- hit the ground running, or driving your train, would it be more of a flat profile potentially or front-end loaded or back-end loaded; once you sign the contracts?

**SAM POLLOCK:**

No, it will be front-end loaded and I would expect that most of that capital will be spent in the latter half of 2011 and possibly going into 2012. But most of that capital, that \$600 million, I'd say 75% to 80% of it will be this year and next year.

**LINDA EZERGAILIS:**

All right, \$600 million. The bulk --

**SAM POLLOCK:**

Well, in total, we have about \$600 million of capital towards our railroad operations over the next three to four years and about \$500 million of that would likely be in 2011 and 2012.

**LINDA EZERGAILIS:**

Okay. Thank you. That's helpful. And I'm not sure if you can comment at all about the Abbot Point Coal Terminal process going on in Australia, but hypothetically, for a potential investment opportunity of that sort, might we think of that occurring at the BIP level or some other third-party asset management fund that Brookfield Asset Management is running, or some combination of both?

**SAM POLLOCK:**

Linda, I'll say two things. One is obviously, because of some regulatory relief that we sought, I think it's common knowledge that we are looking at it. We can't really comment too much with respect to projects that haven't been completed. But I would remind you of our strategy, where for investments of this sort, we do invest in Brookfield-led consortiums and so if we did do something, I suspect it would be with partners.

**LINDA EZERGAILIS:**

Right, thank you.

**OPERATOR:**

The next question comes from Brendan Maiorana of Wells Fargo Securities. Please go ahead.

**BRENDAN MAIORANA:**

Thanks, good morning. I just wanted to follow-up a little bit on the backlog and just to make sure I'm capturing all the numbers correctly. So, Sam, I think you mentioned in your prepared remarks that, I guess, the \$490 million at WestNet Rail that's listed in the backlog, how does that compare to the \$600 million? I wasn't sure if the \$600 million was in addition to that or if the \$490 million is just a portion of the \$600 million total.

**SAM POLLOCK:**

It's a portion of the \$600 million.

**BRENDAN MAIORANA:**

Okay and so the --

**SAM POLLOCK:**

Sorry, so the -- yes, so the \$490 million is a portion of the \$600 million. That's correct.

**BRENDAN MAIORANA:**

Right. So, there could be an additional \$200 million or so that will come on the backlog. And the returns, it sounds like, if I'm looking at your existing EBITDA levels relative to the amount of invested capital that you have in putting an additional capacity of 50% more on there and getting a return that's \$150 million to \$200 million of annual EBITDA on a \$600 million investment is just that those returns are well, well in excess of what you're getting today on the existing capacity is that --. Am I thinking about that correctly? And is there some sort of adjustment that we need to make relative to the new investment versus the existing capacity?

**SAM POLLOCK:**

I think that is one of the advantages of this kind of business. We have and I appreciate -- Brookfield Infrastructure has only owned the asset for a relatively short period of time, and so many of you will not have seen the amount of capital that they've invested over the last number of years to expand and upgrade various components. And so, at this stage, the capital that we're currently expending, it does appear highly accretive and it is highly accretive to the capital we are spending at the moment. But I think when you look at the business as a whole we have over many years, invested significantly in the railroad corridor. We have invested money in the past number of years on capital projects and so I'm

sure if you went back and included all that, it wouldn't be as accretive, but one of the benefits that we do get is the fact that we bought a business that had the benefit of all that previous capital expenditures. And it's obviously one of the reasons why a lot of North American railroads have had some of the great results that they've had over the last number of years, because they spent the capital many years ago as well.

So, the short answer is yes. These are current great returns for us. But you need to keep it in context of the capital that has been spent historically as well.

**BRENDAN MAIORANA:**

And is that type of a return something that's sustainable over time, or is that something where the initial return could be a little bit higher and then it's going to require maintenance Capex to sustain that level of EBITDA and in effect you're returns on the margin might move down a little bit over time? Or is that something where, comparable with some of your other businesses, your economic return holds up or even increases a little bit over time?

**SAM POLLOCK:**

There will be future capital expenditures. I think the returns will hold up for a long period of time, but I also want to make sure that people understand that railroads are capital intensive. We do spend a lot of money on capital expenditures. And so, there will be, over the life of the track, significant future capital expenditures. But we do have a process for making sure that's done in a prudent and cost efficient manner. I think the other thing you need to appreciate as well is that in the future, there could be circumstances where the tonnage reduces because of future market prices related to iron ore or other commodities. So we do take some of that risk as well.

**BRENDAN MAIORANA:**

Sure. Understood. And then the backlog on the utilities segment and largely with transmission is so, the Texas project is included in there. And it's largely Texas and Transelec that's in the \$310 million today. Is that accurate?

**JOHN STINEBAUGH:**

Brendan, it's John. It's a couple of components. It is the Texas project, Transelec and IEG. And the other thing that is factored in is that because our ownership of Prime went up, the percentage that we

own of IEG went up during the quarter as well, which impacted the backlog. But the combination of those factors led to the increase from the \$276 million to the \$310 million.

**BRENDAN MAIORANA:**

OK, and John, can you just refresh my memory on the returns? I think you've been pretty clear on Transelec with the rate base there, but the return that is likely from an unlevered and levered perspective on the Texas project?

**JOHN STINEBAUGH:**

The Texas project, I think the best way to think about it is on a levered basis because it's a utility that has got a regulated capital structure and it's within the regulatory framework that's North American. The way I would think about it is that the capital structure is going to be probably 65% to 70% debt financed and the remainder would be equity. And we're expecting to get probably in the low to mid-teens returns on the equity capital that we're investing.

**BRENDAN MAIORANA:**

And that's a cash --

**JOHN STINEBAUGH:**

I feel like in the 13% to 14% range would be a pretty good number for that.

**BRENDAN MAIORANA:**

And that's a cash flow yield or an IRR return?

**JOHN STINEBAUGH:**

That is going to be a cash flow yield once the project comes online.

**BRENDAN MAIORANA:**

And what's the expected timing for it coming online?

**JOHN STINEBAUGH:**

It will come online in the beginning of 2013.

**BRENDAN MAIORANA:**

Okay, that's helpful. And then just Sam, it sounded like in your letter you telegraphed that the distributions are likely to move up fairly significantly as you look at all the growth that you've got in the business over the next couple of years. Is that, I guess, which is a positive -- and it shows a lot of confidence that you have in the business, but you're also at a point where you're going to be spending a lot of capital. So, is that -- am I reading that correctly that you would expect the distributions to be towards the high end of the 3% to 7% range, which you guys have provided? And how do you think about that, growing the dividend level versus retaining more capital to help fund a lot of the growth projects that you have?

**SAM POLLOCK:**

Brendan, you had a couple of questions in there, but as to your first question, we have set out goals for the Company. And our goal for the Company is to generate sustainable distributions that over a long period of time, will grow on an annualized basis between 3% and 7%. So that is correct. And I think with the growth prospects within the business today, and the business environment that we're currently operating under, we feel pretty confident that we should be at the higher end of that range. And the reason we feel confident about that is we have a number of GDP sensitive and commodity sensitive businesses, such as timber and the railroad that we think, in this current environment, are going to do pretty well. So, yes, we do feel confident and I guess we are trying to make sure we convey that to people so that they look at us properly.

As it relates to whether or not we would hold and retain some of that additional cash in order to fund our growth initiatives, I think I'd say first of all, we've set a distribution policy that's really targeted towards our FFO per unit levels. We think that we have numerous ways of financing our growth, which will include a combination of new debt that keeps our credit metrics consistent. We think that for many of the expansion opportunities we can put an appropriate level of project level debt to finance them. We have Capex lines of various subsidiaries to fund their growth. We have our corporate line of credit. We will collectively sell assets that we think don't fit within our long-term business profile and then finally, to the extent we think it makes sense, we may for larger initiatives, whether it be acquisitions or a major expansion, look to the equity markets. But I'd say we look at the first elements first and then the last we would look at, if it makes sense, is to issue equity.

**BRENDAN MAIORANA:**

Sure. Okay. Thank you.

**OPERATOR:**

The next question is from Andrew Kuske of Credit Suisse. Please go ahead.

**ANDREW KUSKE:**

Thank you. Good morning. I guess my first question is for Sam and it just relates to one transaction we saw in the market not that long ago with DP World and the sale of some of their Australian ports. I'm just sort of curious on how you think about the relative competitiveness of BIP against some infrastructure funds, because it was an infrastructure fund that really won those assets in a bidding process. Because you are a little bit of a hybrid in the sense that you are a publicly traded, yield-oriented business with lots of organic growth, but you also have a relationship with an alternative asset manager that has an array of large funds in the market. So, how do you think about your positioning in the market for assets, whether it was DP World assets or other things that are currently in the market today?

**SAM POLLOCK:**

Hi Andrew. I think I can answer it in a couple of ways. First, I think that we are extremely well positioned with not only operations around the world, which allows us to look at many different jurisdictions, but we also possess a wide array of operating platforms and operating expertise that I think enables us to take a far more informed view on assets than many of our competitors who are more financially oriented. So, I think we are extremely well positioned.

I think one of the other elements is that we are total return oriented. So while we are a yield vehicle, we do look at total return while we analyze investments. We do have pretty rigid underwriting standards. We tend to look for returns in the plus or minus 15% range and I'd say in certain markets that we operate today, there has been amongst some of our peers a compression in their return expectations. And so at times we have found that it's better not to pursue investment opportunities where there is a frothy option around them.

Having said that, I think the two points we want to make -- to get across today was that our internal growth estimates are not dependent on new investment opportunities at this time. Having said that, we

continue to look at new opportunities and to the extent that we find situations that fit nicely within our operating businesses and meets our return thresholds, we will execute upon them.

**ANDREW KUSKE:**

That's very helpful. And then the second question really is just more to John. In respect of refinancing opportunities, you have a lot of assets that are underpinned by a reasonable amount of debt and you're in the process of underpinning debt on Transelec. But what other refinancing opportunities exist across the whole platform where you can really deliver real and permanent value, given the fact that nominals are just so low at this stage in time. And I guess if you could break it down in categories of areas where you'd benefit, where there's not necessarily a pass through to things like rate payers, where you'd actually extract the value of a refinance at a lower level.

**JOHN STINEBAUGH:**

Well, one of the immediate ones that are in the market right now is DBCT. With the quality of the cash flows and they have performed very well in substantial stress with the recent weather in Australia and I think that will prove the resiliency of the credit. We're looking to do a long-term financing with that asset and the way the regulatory framework works is that if we are able to lock-in long-term financing at attractive rates, the debt component of the WAAC is reset every five years. So, we would be able to keep the benefit of a long dated financing given the regulatory framework.

The second one that we're look at is NGPL and what we're looking to do there is with the rate settlement, we are looking to right size the capital structure, but as you know, the markets right now are very strong. And we are thinking that it would be a good opportunity to refinance the \$1.25 billion of debt that comes due next year at the NGPL level and we're also looking to put in place financing at the Myria level and capitalize on the rates and that would all accrue to the bottom line.

**ANDREW KUSKE:**

That's exceptionally helpful. And on DBCT, given the debt markets in Australia are not really that great for duration, would you be looking for offshore financing for investors who wanted Aussie dollar exposure or are you looking at swapped -- sort of an all-in-swapped cost?

**JOHN STINEBAUGH:**

We're looking at the U.S. private placement market, but then we would swap it back into AUS dollars so that we've got a match from currency perspectives, but we think we can get greater duration by financing that in the U.S. market.

**ANDREW KUSKE:**

Okay, that's extremely helpful. Thank you.

**OPERATOR:**

The next question is from Robert Kwan from RBC Capital Markets. Please go ahead.

**ROBERT KWAN:**

Good morning. Just on WestNet rail, I just want to make sure I'm understanding the numbers. You've got the backlog at \$490 million and you've talked about the \$600 million. Is the \$490 million just the two-year period on the \$600 million or is that what you've already locked in? I think you alluded that you signed some contracts.

**SAM POLLOCK:**

Yes, it's the next two years. So the additional balance for length of capital, going out to further two years.

**ROBERT KWAN:**

Okay, so I guess coming back to the \$600 million, how much of that is actually already locked up as we speak?

**JOHN STINEBAUGH:**

I would say that roughly \$500 million, so as we mentioned \$100 million of that relates to the period beyond the first two years. Probably only about under \$50 million of that is what I would describe as locked up -- mainly because there's two customers in particular that we are talking with that represent most of the capital.

**ROBERT KWAN:**

Okay, and is it fair then just kind of -- when you're looking at the contracts is it proportionate as you -- either we look at the \$50 million or you start to announce more of that \$600 million is it proportionate in terms of the \$150 million to \$200 million of EBITDA?

**SAM POLLOCK:**

Yes, I guess part of what I would caution you is that, every situation is different. To the extent that customers are existing customers then the amount of capital they may require for their operations ,would be less than for say, for customers who are new customers and we might have to do more capital. So it's not a linear relationship between capital spent and EBITDA growth. Every situation is different.

**ROBERT KWAN:**

Okay. And then just the last on these contracts. You talked about trying to work in take-or-pay provisions rather than just fee-for-service component. What's been the response from your customers with respect to trying to move to take-or-pay?

**SAM POLLOCK:**

Well, the take-or-pay provisions generally arise when we are deploying significant amounts of capital for new customers. And obviously, when we deploy that capital for let's just say a mine site, we do take on certain standard risks elements and as a result, in order to mitigate our exposure to that single client, we tend to request a portion of security to cover off that risk until they are fully operational and then we become more comfortable with the credit quality of that particular customer. In situations where it's an existing customer and we're not having to deploy a significant amount of capital, then the take-or-pay provisions don't really apply.

**ROBERT KWAN:**

It sounds like they're pretty understanding of what you're trying to do?

**SAM POLLOCK:**

Absolutely, I think it's a commercial arrangement. These projects involve billions of dollars of capital and we're not obviously, the only ones that are looking for credit support. So, they would have the same sort of negotiations with the port authorities, with some of the other utilities. These would all be

pretty standard. And it's also because of the competitive position of our network. They, in many cases, don't have any alternative to transport their product to the export market, so we've got pretty good leverage in the negotiations.

**ROBERT KWAN:**

Okay, just on the Timber business, can you just talk about where you're seeing outlook prices right now and also, whether it applies to you and whether you'd be impacted to the extent there is a port strike out here?

**SAM POLLOCK:**

To be honest, I don't have a good answer for you on how we would be affected by a port strike. So, maybe that's something we can come back to you on.

**ROBERT KWAN:**

Okay. And just the outlook for the business in where pricing is right now.

**SAM POLLOCK:**

The outlook today is actually very good. I always wanted to caution my remarks because quarter-to-quarter there is always various levels of volatility in people's outlooks and moods. And I guess going into the fourth quarter, we began to take a more cautious stance because we were witnessing a slowdown in US housing and it was our expectation that that would lead to a softening of prices.

As we got through the fourth quarter and as we stepped into the first quarter, we were very pleasantly surprised with price levels and in particular, the impact that export demand has had on the domestic market in keeping prices high. So, we've been able to move more volumes than we would have expected in our business plan sessions in the fourth quarter. So, I think going into the first half of this year, we feel quite confident. I think the only wait-and-see attitude I would take is the latter half of this year and just seeing if we have again a bit of a slowdown like we did in the third quarter of this year. But, all-in-all, we're expecting a better year this year than we had last year. So a continued move forward.

**ROBERT KWAN:**

Okay, so it sounds like there's some sustainable kind of pieces versus roughly this time last year. Things were looking pretty good, but you were kind of pointing to some one-time items.

**SAM POLLOCK:**

Yes, that's correct. I think that we had a great second quarter last year, as you know, and that was a little bit surprising. And things started to tail off in the third quarter, but they picked up again in the fourth. I think that we expect probably a similar profile for the coming year. But if you look at it as a whole, I would expect that our harvest levels will be higher from last year and my expectation would be that the prices would be on average higher this year than they were last year.

**ROBERT KWAN:**

Okay, that's great. Thanks for the color.

**OPERATOR:**

The next question is from Benoit Laprade of Scotia Capital. Please go ahead.

**BENOIT LAPRADE:**

Thank you. Good morning. Quick question, more conceptually, obviously, there is the Abbot Point opportunity that has been talked about and you've talked also in the past about the Dudgeon Point opportunity -- should we think of those two as being mutually exclusive? If you would be successful in one, would you abandon the other? Would you go for both of them? How should we think of that?

**SAM POLLOCK:**

Hi Benoit, They're not mutually exclusive. We would be prepared to consider both of those opportunities.

**BENOIT LAPRADE:**

And is there any antitrust issues or something that would need some blessing?

**SAM POLLOCK:**

There could be possibly some antitrust issues. As part of the Abbot Point process, that's something that would be cleared up. We obviously feel comfortable with the nature of these operations, the fact that the DBCT is a regulated Port and they're fully contracted; that there shouldn't be any antitrust

issues, however, that's obviously not our determination to make and we will make submissions as relates to those projects.

**BENOIT LAPRADE:**

Great, thank you.

**OPERATOR:**

There are no more questions at this time. I'll turn the call back over to Mr. Pollock.

**SAM POLLOCK:**

Okay, well, thank you very much everyone for joining us on this call. And we look forward to speaking to you again next quarter. Thank you.