How to tie a noose…

Angus Leslie Melville

21/09/2018

You know it's grim on the street when you idly google "how to tie a noose" while on the phone to an old chum (surprisingly easy, it turns out) as he drones on that – even though there's actually quite a lot going on out there, it's just a bit… you know… dull.

What a curious sentiment to espouse with the summer lull officially in the rear-view mirror – even if coat-wearing weather hasn't quite arrived in London – and things are starting to perk up as the lazy days make way for a vibrant Q4.

The same cannot be said for *IJ* where it's currently full-steam-ahead. As you read this, our data team is plugging its collective heart out, wading through more than 2,000 submissions (some of which tick the right boxes) for transactions closed this quarter; identifying those that push the boundaries as core plus; while rejecting the downright bizarre and – in some cases – outright fictitious.

Casting an eye over the data that the team has been ploughing through, it will come as no surprise to hear that a good chunk of that is centred around the refi of deals that financed in the twixt years – global-financial crisis pricing and before we got to silly money stage.

Talking to the data team, they are seeing a lot of American power plant refi work as well as upstream and midstream company acquisitions across the US. In Europe, onshore wind and solar is rampant with a serious spike in Spanish PV and a slew of telecoms in France. But more of that in a couple of weeks' time when we publish our Q3 league tables.

If there is one greenfield sector that has seen a healthy uptick over the summer months, it has to be offshore wind as floating solutions shoot from fledgling status to maturity in the blink of an eye.

Sticking with renewable energy, battery storage is very much flavour of the day, and everyone is trying to work out what will happen with electric vehicle charging.

Shifting sectors away from everyone's favourite – renewables – 5G (we are told) is on its way, Germany has gone live with the world's first hydrogen-fuelled trains (two of them) and drone technology must be giving toll road operators nightmares.

But these pages have focused on these sectors too often of late… so how about taking a look in a different direction.

Irish broadband

This week, *IJGlobal* reported that the National Broadband Ireland team had submitted its final bid to the Department of Communications, Climate Action and Environment for the National Broadband Plan (NBP).

This is a curious project that is not being procured as a PPP, but has a 25-year concession.

It has the local press all a-flutter as the one-horse race approaches the finishing line, all rivals having long since reined in, heading back to the stables without a backward glance.

The broadband plan has progressed slowly since its first airing in the summer of 2012 (never good for a tech project). It was updated at the end of 2015 and launched in January 2016.

Since then, Ireland has echoed to the sound of vigorous tooth-sucking and wheel-kicking.

There was an initial flurry of interest lending credence to the project as the comms department eagerly thumbed through 40 submissions.

This was whittled down to a shortlist of five consortia that cantered into the final – though rather lengthy – furlough:

- Eir (formerly Eircom)
- Enet with SSE and Granahan McCourt
- Imagine – the Irish broadband operator – with Macquarie
- Gigabit Fibre – launched in 2015 by Danuta Gray (former CEO of Telefonica O2 Ireland), Alan Harper (founder of one2one which became T Mobile, and Eaton Towers), and Peter Cook (Eir, Mercury and BT)
- SIRO – JV between Irish energy company ESB and Vodafone

They fell away one after another leaving the one bidder – the Enet team – to romp home unchallenged.

However, the finishing straight was not without incident as equity took fright and SSE withdrew from the bid team, joined by John Laing and the Irish Infrastructure Fund (run by AMP Capital) – though it remains in the deal through its 78% shareholding in Enet.

That left:

- Granahan McCourt – TMT investor
- Actavo – construction partner
- The Kelly Group – construction partner
- KN Group – construction partner
- Enet – ongoing operation of the network once built
- Nokia – technology partner

Without question, a capable team with all the skills required to deliver a project of this nature.

If you build it, they will come

This has always been a challenging deal for bidders to get their heads around.

The preferred bidders will have to deliver high-speed broadband services – minimum speed of 30Mbps download and 6Mbps upload – to all premises in the country… wherever that may be.

Currently 7 out of 10 premises in Ireland have access to high-speed broadband from commercial operators, but that leaves 540,000 premises where operators do not receive it.

National Broadband Ireland will have to build, maintain and operate a “future-proofed, high-speed broadband network” in the state intervention area and run it for 25 years.

An honourable intention, however bidders have been daunted by the size and nature of the project – connecting every cottage, farmhouse and village around the nation.

Attempts to bring long-term equity to the table has not been a resounding success as John Laing and then SSE exited the deal. Sources say they walked away saying the risk profile did not suit that type of investment, and there is a general consensus that the equity players only stuck it out to the bitter end in the hope that they could influence it to make it more palatable.

From the government's side, Ireland made itself comfortable with the sole bidder status in desperation to get the deal over the line, building in to the contract protections and limiting upside for the private sector.

As to long-tenor debt, lenders that we have spoken to say they were unable to get comfortable with the deal in spite of the hefty government subsidy which reduces the capex cost, but does not boost confidence in what they perceive to be a flawed deal.

The lenders fear take-up risk, the threat of competing services and – as is always the case with technology-based projects – future developments in technology that could leave this project in the stranded asset category.

There were lots of things around the project that lenders liked… just not enough to keep them at the table.

With one thing and another – one thing being that Eir (having exited the NBP process) promptly signed a contract with the government that committed it to delivering high-speed broadband to 330,000 premises in rural Ireland – a lot will have to be done to revive this confidence.

So, if you're in a holiday cottage in the outer reaches of Ireland… enjoy the buffering, lie back and think of Broadband Britain.