# Port of Brisbane Privatisation

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The debt financing behind the Aus$2.1 billion Port of Brisbane privatisation is the most significant diversified port privatisation to occur in Australia, as well as the largest port privatisation to occur globally since the global financial crisis of 2008.

Successful in achieving the Queensland government's objectives of its Renewing Queensland Plan and setting a benchmark in overcoming challenges associated with the transfer of a government owned monopolistic asset to the private sector, the controlling authority announced the plan to privatise the port in June 2009 during the rocky financial conditions of that year, for the deal to close in December of 2010 [Transactions Database].

The deal is a prime example of a major and complex infrastructure transaction that has allowed government to achieve a range of objectives including raising funds for core state expenditure; removing future development costs associated with the port; securing funds for a connecting motorway upgrade; and retaining oversight of the port during its 99-year leasehold.

Given the US$1 billion equity cheque required, bidders generally sought to form consortia with other bidders, with the winning consortium made up of Global Infrastructure Partners, Industry Funds Management, Queensland Investment Corporation (27 per cent each) and Abu Dhabi Investment Authority (19 per cent), operating through Q Port Holdings (QPH). The other main consortium in the running was a team including Morgan Stanley and Unisuper Infrastructure Partners.

Macquarie was appointed as financial advisor to the deal, while Allens Arthur Robinson acted as legal Adviser. The government appointed Rothschild, Royal Bank of Scotland and Bank of America Merrill Lynch as financial advisors in July 2009 and pulled in Minter Ellison as legal adviser.

Mallesons Stephen Jaques acted as legal adviser to the lenders.

**The Project**

The asset itself represents a rare and strategic acquisition - located in Brisbane along the Brisbane River, it is Australia's third largest port and the closest Australian port to Asia in terms of sailing days.

It serves over 2400 ships handling over 32 million tonnes of cargo with a total value in excess of $34.5 billion each year and is the nation's fastest growing container port, currently undergoing an expansion to add a third container operator.

Part of the agreement between the Queensland government and Q Ports SPV was to assist with the ongoing development of infrastructure in the region, through an additional A$200 million bundled into the bidding package to fund an upgrade to a section of the Port of Brisbane Motorway

The timing of the transaction came at an interesting time for the ports sector, as the economy was recovering from GFC trade levels, which made debt financing challenging. As a result, measures to try and ensure shortlisted bidders would be able to secure financing were implemented, including, for example, prohibiting exclusivity arrangements between bidders and banks.

Project risks were largely associated with making sure the port continued to provide its services in an efficient and effective manner, for example, through planning powers to expand capacity. This was managed by having a sturdy legal framework and well designed lease and sale agreements. Also, the size of the equity cheque meant the deal was conducive for consortia formation.

Liquidity for the deal was surprisingly strong given the number and nature of shortlisted bidders in binding bid stage, says a banker involved in the deal. This is telling given the port is a low risk core infrastructure asset with significant downside protection, located in an OECD country with strong growth prospects. However, this is also unsurprising given the size of the equity ticket.

The unexpected floods that blighted the region had an effect on the project, but not one that should prove a big challenge to the port explains David Robinson:

“The diversified nature of the port operations has meant that commodity risk has been offset to a large extent. For example, the recent flooding in Queensland has significantly affected coal exports in the region, while affecting the port's earnings to some extent, will not have a material impact on overall financial performance.”

**The Financing**

The project was financed by nine separate institutions across five facilities with a debt-equity split of 53:47.The US$1.14 billion project finance facility all came from commercial lenders and funds.

The senior loan facilities on the deal hold a tenor of between 3 and 5 years with pricing on the debt between BBSY 220bps and 250bps and a revolver facility at 125bps.

The full list of international MLAs is as follows:

- Australia and New Zealand Banking Group
- BBVA
- BNP Paribas
- Crédit Agricole Group
- National Australia Bank
- Natixis
- SMBC
- WestLB
- Australia and New Zealand Banking Group

**Conclusion**

The transaction has been perceived favourably by the market and is widely regarded as being a landmark port privatisation, successful in achieving the Queensland Government’s objectives and overcoming challenges associated with the transition of a government owned monopolistic asset to the private sector.

Meanwhile, the interest in the deal and formation of consortia highlighted that both equity and debt market conditions continue to be open for attractive assets with core infrastructure characteristics at a time when the GFC still had a affective grip on the market.

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| Project name | Brisbane Port Privatisation |
| Location | Brisbane, Queensland, Australia |
| Brief description | Divestment of Port of Brisbane by the Queensland Government via a 99 year lease |
| Sponsors | Q Port Holdings (Abu Dhabi Investment Authority – 19.9%, Global Infrastructure Partners – 26.7%, Industry Funds Management – 26.7%, Queensland Investment Corporation – 26.7%) |
| Operator | QueenslandGovernment, now Q Port Holdings |
| EPC Contractor | NA |
| EPC sub-contractors | NA |
| Project duration | NA |
| Total project value | A$2.1 billion + A$200 million for the POB Motorway Upgrade |
| Total equity/ breakdown | - |
| Total senior debt/ breakdown | A$1.179 billion |
| Senior debt pricing | 220 – 250bps (term loan), 125bps (revolver) |
| Subordinated debt/ breakdown | NA |
| Subordinated debt pricing | NA |
| Bond funding | NA |
| Bond pricing/ maturity/ ISIN | NA |
| Debt:equity ratio | c. 50% |
| Mandated lead arranger(s) | ANZ, National Australia Bank, Credit Agricole CIB, Sumitomo Mitsui Banking Corporation, WestLB, BNP Paribas, BBVA, Natixis |
| Participant banks (account bank/ bookrunner/ facility agent/ insurance bank/ co-arrangers) | NA |
| Export Credit Agency sypport | - |
| Multilateral loans | - |
| Monoline provider | - |
| Control account details (DSRA etc) | - |
| Power purchase agreement (only power) | NA |
| Oil/ gas/ LNG sales agreements (only O&G) | NA |
| Annual unitary charge/ toll (only PFI/ transport) | NA |
| Legal adviser to sponsor | Allens Arthur Robinson |
| Financial adviser to sponsor | MacquarieCapital Advisors |
| Legal adviser to banks | Mallesons Stephen Jaques |
| Financial adviser to banks | - |
| Legal adviser to government | Minter Ellison |
| Financial adviser to government | Rothschild, Royal Bank of Scotland, Merrill Lynch Bank of America |
| Date of financial close | December 2010 |