

HD **Australia Sells World's Largest Coal Terminal**

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SYDNEY--The world's biggest coal-export terminal has been sold for 1.75 billion Australian dollars (US\$1.62 billion) to Chinese and local buyers, as yield-hungry investors continue to back Australian privatizations.

Australia's New South Wales state government said Wednesday that after receiving five bids, it decided to sell a 99-year lease on Newcastle Port to a consortium comprising Australia's Hastings Funds Management and China Merchants Group.

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The price is more than twice the A\$700 million or so that the government had hoped the lease would fetch about a year ago. The difference reflects increasing investor enthusiasm for infrastructure assets, which during periods of low interest rates can generate higher returns than other conservative asset classes such as bonds.

"This momentous result exceeds all expectations," New South Wales state Premier Mike Baird said in a statement.

Newcastle Port handles more than 100,000 metric tons of coal a year, mostly bound for China and Japan. Though demand for commodities from large developing economies such as China has waned, Australia's port operators have locked major mining companies into contracts that guarantee they will be paid for specified volumes even if the amount eventually shipped is less.

"We see Australia as an attractive investment destination and the Port of Newcastle continues our long history of investment in this country," said Liming Yu, China Merchants' vice president and chairman of its investment committee.

China Merchants is one of China's biggest state-owned enterprises, with around US\$800 billion of assets under management. It bought Australian pallet provider Loscom in 2010 and has since expanded it into China.

Newcastle Port presented a "rare opportunity" to invest in an Australian marine infrastructure asset, Hastings Chief Executive Andrew Day said.

Last year, New South Wales sold Port Botany, a container facility, and Port Kembla, an industrial site, for a combined A\$5.07 billion to a group of investors led by Australia's Industry Funds Management.

Queensland state in November sold the Port of Brisbane for A\$2.3 billion to a consortium of pension and sovereign-wealth funds, while toll-road operator Queensland Motorways was bought this month by a consortium led by Transurban Group for a higher-than-expected A\$7.06 billion.

All of the recent sales have attracted bid multiples of well over 20 times the assets' annual operating earnings.

New South Wales is attempting to plug a budget deficit and protect its AAA credit rating ahead of large investments in roads, schools and hospitals. The state has already sold electricity generators and retailers, while Mr. Baird has indicated it could be open to selling the state's energy grid. Queensland state, too, is considering the sale of generators, while Victoria state is planning to sell the Port of Melbourne.

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