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HD **A sweet victory comes at a huge price**

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THE Port of Newcastle is a dedicated **coal** terminal used by some of the biggest companies in the game on both ends of the supply chain, which should ensure some price control to mitigate skyrocketing fees.

The danger becomes real in the wake of the massive $1.8 **billion** price paid by the joint bidders Hastings and **China** Merchants, which is another boon to the new NSW Premier Mike Baird.

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The deal works out at 27 times this year's earnings of $65 **million** or about 1.2 the stated asset value of $1.5bn.

The line in the sand drawn by Baird on this deal was about $700m, below which he would not have sold the asset, but he ended with $1bn more in a deal he described simply as "pretty amazing".

There was no word on how much the second-placed bidder offered, which suggests the difference was substantial because otherwise the winning bidder would have let us know.

Baird has committed to using the proceeds to develop the Newcastle area and other state infrastructure needs, which is precisely the capital recycling that governments should be engaged in to develop infrastructure.

Monopoly assets such as ports and tollroads are a natural to be sold once the risk is removed from early develop- Continued on Page 24 Continued from Page 17 ment. Alarm bells are raised when they are sold with more development rights, as with Sydney Airport with first right of refusal over the Badgerys Creek site, or unregulated monopolies that allow the winner to charge what they want to recoup the **purchase** price.

Baird is relaxed on this score because all price rises must go to the government for approval and if they exceed limits there is a state regulator and potentially legislation.

Hastings was the losing bidder in last week's Queensland Motorways battle and last year's Port of Botany **sale**, so for the RBC-advised team this was a sweet victory but it came at a massive price. The port earns its money by charging ships for entering the channel and users like BHP, Rio et al for using the land and other charges.

It was subject to a brawl over rights to the terminal, which was settled by allowing the port to charge on a take or pay rate, settling the fight over who gets what preference. Ironically, some of the smaller operators in the fight have been mentioned in the NSW ICAC hearings.

Joint venture winner **China** Merchants has plans to develop the port for other users but ultimately this venture wins and loses with the value of **coal** exports over the next 98 years.

That single-user risk is not small but in this market the word risk barely rates a mention.

Wonderland sales data OVER the last two years Coles' same-store sales have risen 8.3 per cent against Woolworths' 6.6 per cent, but in the last quarter after 18 quarters of outperformance the behemoths were tied at 3.5 per cent.

Woolies was helped by its liquor business, in which Dan Murphy's powered ahead, given its sales matched the supermarket in a market where overall liquor sales grew at 2 per cent.

The bottom line is retail sales are still weak, with Big W making even Target look OK, and the Australian Bureau of Statistics in Alice in Wonderland territory by arguing retail sales rose by 8 per cent in January and 5.5 per cent in February, while Tasmania was meant to be the boom state over the last 12 months. Something doesn't quite add up.

Separately, the ACCC yesterday took legal action against Actrol Parts, alleging it stockpiled refrigerants ahead of the carbon tax introduction and then used the tax as a reason for price hikes.

The false and misleading claim case comes ahead of today's release of the ACCC's first report on how to deal with prices on the removal of the carbon tax.

AGL wrangling THE chance of ERM Power topping the AGL bid for Macquarie Generation is not great but maybe its first port of call should be the corporate plod over its trading updates last week.

A **company** spokesman declined to comment yesterday on just how a statement posted at 10.10am last Thursday could be followed up with a profit downgrade disclosed on page six of a seven-page announcement posted at 2.21pm the same day.

One assumes someone among Philip St Baker's team at ERM knew about the second statement at the time it was lodging the first, boasting of a three-year electricity contract with the NSW government and an extension of a federal government contract.

The first news sent the stock up as high as $2.50 a share from the opening at $2.30, or a 9 per cent gain, before closing down 15 per cent at $1.95 a share.

That is a 21 per cent fall for the hapless punter who acquired the stock on hearing word from the **company** it was "on track to maintain our strong growth", only to learn later that 2015 earnings would be about 16 per cent down on previous guidance.

Macquarie put through a line of 171,000 shares at $2.40 at 1.12pm just before the downgrade, so its seller was obviously a lot happier than the buyer.

The downgrade also probably didn't help the reported UBS pitch in **Hong Kong** in search of backers of a new MacGen bid. The stock hit a 52-week low of $1.78 on Monday, a long way from the October high of $3.02.

At $439 **million**, the **company**'s market capitalisation would appear to be a touch short of a $1.5 **billion** pitch to win control of the asset.

AGL, meanwhile, is fighting the ACCC's rejection of its bid and the matter is due to go for another hearing before the Australian Competition Tribunal next Tuesday.

NSW Premier Mike Baird has said if a higher bid landed on his table before the ACCC-AGL fight is settled, other things being equal, he would accept the new bid. AGL is still at loggerheads with the Competition Tribunal over confidentiality and other issues with its appeal, which may jeopardise the chance of a speedy hearing. The **company** had hoped to have it wrapped up by the end of June.

The Competition Tribunal hearing is another procedural hearing, with public hearings scheduled for early June.

Trouble is the electricity industry is not too keen on lodging the sort of information tribunal chief, judge John Mansfield, is interested in seeing to help make his decision. The tribunal, through the ACCC, is seeking all sorts of contract details which the industry claims are confidential.

AGL submitted its trading details yesterday but the other big traders including Origin and EnergyAustralia are yet to comply.

There is another issue over an ACCC subpoena for separate information from AGL which the **company** wants to occur through the tribunal. It will comply next week. Whether all this will delay the process remains to beseen.

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