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HD **DATAROOM**

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$60bn riding on NSW poles and wires auction INFRASTRUCTURE deals have proved a key theme in mergers and acquisitions this year. That trend will be amplified even further in 2015 and 2016 if both the Queensland and NSW governments press ahead with large-scale privatisations.

Of all the assets on the block, the poles and wires auction, which may net up to $60 **billion**, is the biggest and is attracting a plethora of heavyweight bidders, including Singapore Power and **China**'s State Grid, which has more employees than Sydney's population.

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Yet the timing of these privatisations remains unclear. A scoping study conducted by UBS and Deutsche on the NSW power assets is due to be submitted to the state Premier Baird within the next two weeks but that may still result in Queensland's **energy** assets hitting the block first.

A recent draft determination by the Australian **Energy** Regulator showed at least 30 per cent could be clipped from the state's electricity businesses, and if these judgments are upheld the amount of money to be earned from any **sale** will be drastically reduced.

Many in the industry believe AER's assessment, yet to go to a final determination, will **wind** up under review, an outcome that would impose a lengthy delays to the privatisation schedule.

That may leave Queensland's government running the first auction with transmission network, Powerlink, the first of a handful of **energy** assets set to go under the hammer.

But any **firm** predictions are impossible given the confusion around the state's elections.

Despite these uncertainties investors are already finalising **equity** advisory roles.

Negotiations are also set to take place with prospective debt funders ahead of Christmas as the various consortia bed down their battle teams. According to sources, banking syndicates formed from six to eight lenders are eyeing up a range of investors.

As with the timing of these privatisations, the structure and quantum of the debt is unclear.

A source close to one of the investors predicted the lending groups will underwrite the debt and then syndicate it out.

Predictably the line-up of banks will include the four main Australian players as well as Japan's large banks and a number of European and British institutions, including RBS and Credit Ag. According to sources most of the mooted lenders are willing to extend loans of $1.5bn to $2.5bn into the syndicate.

The variety of lenders is matched by the array of investors. While the governments deliberate on how to structure the privatisations, a string of fund managers have been pounding the pavement in Sydney recently, including JP Morgan's infrastructure fund as well as the equivalent vehicles at Goldman Sachs.

Macquarie's MIRA, its infrastructure and real asset arm, is also muscling in on the race after raising a multi-billion-dollar pan-Asian fund.

The investment bank has a sell-side mandate in Queensland but sources said MIRA is still able to pitch for the poles and wires assets.

Yet it will likely need a heavyweight partner. While there are potentially hefty profits to be reaped, given the amount of fat built up in government-run business, entering the race is a high-stakes game with at least $1.5bn in equity needed for the first round.

So far this once-in-a-generation sell-off has lured some of the most powerful investors with Canadian heavyweights Borealis Infrastructure, Canada Pension Plan Investment Board and La Caisse de depot et placement du Quebec, are among the line-up, as are Australian infrastructure funds and listed players as well as Middle Eastern investors like ADIA.

Shell steps up overhaul ROYAL Dutch Shell is poised to shed its $200 million-$300m stake in Evans Shoal, the offshore gas field in the Timor Sea, as the global energy giant reaches the final phase of a long-running overhaul of its Australian portfolio.

According to sources, Shell has drafted in Credit Suisse to advise on the sale of its 32 per cent holding. However, the decision to exit comes at an inauspicious time for the oil and gas sector as crude prices plunge to five-year lows, casting a pall over a number of asset sales, including Apache's $2.5 billion domestic portfolio and the $2bn Montara oilfield in the Timor Sea, which is run by Thai oil and gas giant PTTEP. As The Australian reported recently, the Montara sale has been shelved while uncertainty still clouds the Apache process. The US company, which owns a minority 13 per cent stake in the Chevron-led Wheastone project, along with a large domestic portfolio of oil and gas assets, has drawn a wide field of suitors for its Australian portfolio, but sources said bids so far have failed to meet Apache's expectations.

Despite the turbulent conditions, the Italian oil and gas company ENI is expected to show strong interest and is tipped as the most logical contender.

Last month Santos sold its 40 per cent portion of Evans Shoal to ENI for up to $US350m ($420m).

At the time, the Adelaide-based company, which has come under severe pressure from sliding oil prices, said it would receive $US250m upfront, followed by another cash payment of up to $US100m when a decision was made to develop the field. The deal's precise amount hinges on how much gas is discovered.

Evans Shoal is thought to contain 6.6 trillion cubic feet of gas but has high amounts of carbon dioxide, rendering the project economics more challenging.

ENI sought approval from FIRB for the Santos sale and also needed a nod from the remaining partners — Shell, Malaysia's Petronas and Japan's Osaka Gas — which hold pre-emptive rights over each others stakes.

This may be the one of the last of Shell's Australian assets to be put on the block. It is in the midst of weeding out $15bn of assets around the world. But the jettisoning of its investments here is set to slow with one source describing the company as in "harvest mode" on its sizeable Australian portfolio. The exception of course is its 13.6 per cent slice of Woodside.

WA joins assets sell-off AS the great infrastructure sell-off gathers pace throughout the eastern states, Western Australia appears keen to show it is no laggard on this front as it prepares to announce the advisers to its $2 billion asset privatisation.

Pitches for the advisory role were held last week and the WA government is expected to unveil the winner by Friday. While not on the same blockbuster scale as the poles and wire bonanza in NSW and Queensland, the privatisation auction in the West is expected to rake in up to $2 billion.

Like their eastern counterparts, the WA government, led by Colin Barnett, sorely needs the cash to bolster a straining balance sheet, hit hard by the slowdown in the mining boom and an attendant blowout in the state's debt levels. The weakening economy stripped WA of its AAA credit rating and a number of business groups and politicians argue a large-scale privatisation program would restore the top tier rating.

So far $6bn of assets have been earmarked for sale over the next three years. This first round will include the Kwinana Bulk Terminal and Utah Point bulk handling facility.

But the smaller price tag on the WA assets, along with the drain on resources from rival big-ticket deals, led to a thinner turnout from investment banks.

Kwinana Bulk Terminal is owned by Fremantle Ports and handles **coal**, **iron ore**, petroleum gas, gypsum, coke and slag. It racked up earnings of $61.6 **million** in FY13 while expenditure topped out at $36 **million**.Utah Point at Port Hedland is owned by the Pilbara Ports Authority, and earned $86.5m in revenue with $44.1m worth of expenditures in FY13.

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