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HD **Australia's Infrastructure Plans Spur Deals; More Than US\$1.6 Billion in Takeover Deals This Month**  
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SYDNEY—When Australia's Tony Abbott last year promised to become an "infrastructure prime minister"—putting bulldozers on the ground and cranes in the sky—his ambition roused boards in cities from Beijing to New York.

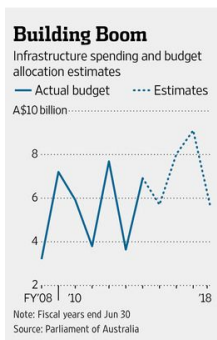
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Now, following a raft of deal-making among foreign contractors and private-equity investors, the winners and losers from Mr. Abbott's call to arms are becoming clearer.

Takeover deals worth more than 2.0 billion Australian dollars (US\$1.6 billion) combined have been agreed this month by foreign businesses including **China** Communications Construction Co. and Apollo Global Management. Another overseas raider suffered a different fate Monday, when Spain's Ferrovial SA [dropped plans to buy](#) Transfield Services Ltd. after its sweetened A\$1.02 billion offer was rebuffed.

For some of the bidders, Australia offers a bright spot in a world where many governments are trying to balance their books by reining in spending, including on big new infrastructure projects.

Mr. Abbott's government has also outlined austerity measures including cuts to education and health care spending, but sees new roads and repairs to creaking infrastructure as a way to offset the slowing in resources investment that has powered the economy for a decade.



When it released its May budget, Mr. Abbott's conservative government said it planned to spend A\$28.5 billion on infrastructure projects across the country between fiscal 2015 and fiscal 2018. Most of that has been allocated to road projects, with much of the rest dedicated to rail.

Shares of many Australian construction and engineering companies have come under pressure as resources investment slows and the country's economy weakens, opening the door to opportunistic bids.

Acquiring a local operator can have several strategic advantages for foreign companies. It can knock out a competitor for work being tendered, while providing immediate access to a local workforce and management with expertise in bidding for infrastructure contracts. In a vast country such as Australia, where the terrain can range from tropical wetlands to the arid Outback, acquisitions can give foreign companies a national network of operation centers from which to manage major projects.

Still, foreign companies may find Australia an unhappy hunting ground as bidding for infrastructure contracts will be fierce. "Companies could be disclosing big contract wins, but you may find there will be very little impact on profits," said Simon Mawhinney, a portfolio manager at Allan Gray Australia, which is Transfield's biggest shareholder with an 18.5% stake.



In the biggest deal so far, Leighton Holdings Ltd. [sold its John Holland construction business](#) to **China** Communications Construction Co. this month for around A\$1.15 billion, giving the **Chinese firm** a solid foothold in Australia.

Days later, Leighton agreed to [sell half of its construction and mining services arm](#) to U.S. private-equity **firm** Apollo Global Management for A\$700 million. Bradken Ltd., a manufacturer of equipment for the mining and construction sectors, and closely-held construction **group** Tenix, have also become takeover targets for local and foreign buyers in recent months.

Not all efforts to gate-crash Australia's infrastructure carnival have been successful. Ferrovial's revised bid for Transfield Services was rejected as too low. Back in July, the Spanish **firm** dropped a separate offer for Leighton's John Holland unit after it too was knocked back.

Ferrovial said it had differing views to Transfield of the businesses' value, as it confirmed Monday that talks had ceased. A person familiar with the matter said Ferrovial wouldn't be raising its revised A\$2.00 per share offer and wasn't planning to take the bid directly to Transfield's shareholders.

"We're definitely disappointed it wasn't possible to get a little bit more," said Mr. Mawhinney, who was seeking an offer closer to A\$2.15 per share. "For us the concern isn't that Ferrovial have walked away, it's that they've seen something that we don't know about."

A key stumbling block, the person familiar said, was how to value a A\$1.22 billion contract Transfield holds that is up for renewal in October 2015. The contract is to service detention camps on the Pacific Ocean islands of Nauru and Manus, where Australia runs an offshore visa-processing system for immigrants who try and enter the country without authorization, often by boat.

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**ART** | Bloomberg News | Cranes tower over a construction **site** in Sydney. | Getty Images | Prime Minister Tony Abbott addressed an infrastructure business breakfast at a Sydney **hotel** on Nov. 14.

**CO** apolmn : Apollo Global Management LLC | charb : China Communications Construction Co., Ltd. | frvl : Ferrovial SA | traser : Transfield Services Limited

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