

\$1.2bn public share float will part-fund airport link



Company: BrisConnections Unit Trust
Proposed ASX code: BCSCA
Proposed listing date: August 4, 2008
Capital to be raised: \$1.226 billion
Shares on offer: 408.67 million
Issue price: \$3 (in three instalments of \$1 each)
Recommendation: None

MACQUARIE Capital Group, Thiess and John Holland won the final tender to build the Brisbane Airport Link.

To help partly fund this \$4 billion project, the consortium is trying to raise more than \$1.2 billion from the public.

The airport link will stretch 6.7km, connecting the CBD with the airport, port of Brisbane, northern suburbs and Sunshine Coast.

The link will be mainly underground and bypass 16 sets of traffic lights, with completion targeted for mid-2012.

The toll charge is forecast to be \$3.50 to \$4.50 for a car and the tunnel will have no booths, with an electronic toll system able to cater for everyday, occasional and one-off users. Toll charges are poised to escalate in line with Brisbane's CPI and the concession period for the consortium is for a total of 45 years, including construction.

The project includes the design and construction of the Airport roundabout and the Northern

Busway extension, although these will be funded by the state Government.

Sven Restel, an analyst with wise-owl.com says: "To raise such a large amount of capital in the current climate is quite astonishing."

"The consortium has enticed investors by promising a 14 per cent yield in the first year and 8 per cent beyond that."

Whether the yield will be enough to entice investors to stick around for the long term remains to be seen.

A similar float of RiverCity Motorway (RCY) has not fared well, with the share price down around 71 per cent from its float of \$1.

At current prices RCY's yield is 20 per cent, although there is no guarantee this is sustainable.

"Traffic projections for these roadways is often very optimistic," Restel says.

"The high yields are often paid out of debt, before any substantial revenue is collected, and servicing debt is currently a rising cost."

"The failed Lane Cove Tunnel in Sydney is a prime example of what happens when forecasts fall short."

"Investors will have to wait more than four years until the tunnel is completed before BrisConnections is able to earn revenue from tolls."

The consortium will take on \$3 billion in bank debt but is claiming that debt service will be able to withstand a 40 per cent reduction in forecast traffic each year.

In the current climate, to achieve their traffic projections, the consortium is basically betting against the high oil price being sustainable.

