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VIDEO TRANSCRIPT OF TFI-NEWS INTERVIEW WITH COLIN CAMPBELL, PARTNER & HEAD ASIA PACIFIC, CITI INFRASTRUCTURE INVESTORS (CII)

INTRO: Citi Infrastructure Investors, has had a busy 2011 with a successful financial close of a 75 percent acquisition in DP World Australia. TFI-News met with Colin Campbell, Partner and Head of Asia-Pacific to discuss the deal and the fund

First question up was, what are the investment parameters and criteria for the funds?

CAMPBELL: CII was set up, in -- about five years ago now, pulled together by Citigroup and during 2007, we were raising the fund and we were also working on the first major investment which was Kelda, the U.K. water company.

The fund set up, it was relatively late in a number of bank sponsored funds being raised at the time by the likes of Morgan Stanley, Goldman Sachs, etc and Citigroup was critical in getting the fund off the ground, pulling the team together but also bridging us \$1.2 billion of equity prior first close in order that we could complete on the Kelder, the public to private.

Since then, we've invested in three other areas. We've invested in container terminals, through a 75 percent stake with some of our limited partners in DP World in Australia which only completed in March this year.

We have and airports business, a 50-50 joint venture with Vancouver International Airport, called Vancouver Airport Services.

Vancouver Airport Services manages 13 airports, including three here in the U.K. and in the north of England and itself in a deal with Peel Holdings

And last, not least, we have a significant stake in a Spanish motorway business called Itinere, which I think, runs 610 kilometres of highways in the north and the northwest of Spain and that is a very sizable investment alongside a number of Spanish Savings Banks.

TFI: You mentioned the airports and their tie-in with Vancouver Airports Authority, what's your take on the airport sector and the opportunities within that arena?

CAMPBELL: Well it continues to be an active sector in so far as there seems to be a lot of work going on, looking at a number of potential changes of ownership.

I mean, it's long been a market, an industrial market where there's been a lot less actual transaction activities than the talk and to be blunt, that's the situation today as well.

There are a number of assets I think, which would be available to investors at a high price but I'm not sure, taking more realistic pricing and available cost of financing and so on in current markets, just how many of those deals, those investments are going to go ahead.

I think the exceptions to that, would typically be privatizations, especially given the situation in Europe with sovereign credit and so on and where there is a forced sale, such as the BAA sales, which are ordered by the Competitions Commission, here.

TFI: When you assess airports, what's the characteristics you look for. Is there a preference for hub airports versus regional feeder airports?

CAMPBELL: I think, I would say Vancouver Airport Services probably has a sweet spot in the sort of 5 to 10-million passenger airport and the business is very much trying to focus more on OECD, than emerging market, developing market opportunities but equally, I think it's all too easy to have a perfect strategy. You really have to be -- have a blend.

But also, you've got to be quite reactive as well, as things become available. As I've said, there are a number of barriers to people actually transacting, selling, buying, whatever, in this market and you've just got to focus on what's real.

Lastly, there's only a certain amount of capacity that Vancouver Airport Services has to assimilate new assets and to continue to add value in those businesses which it runs. These aren't black boxes, these are complicated operating assets, with a myriad of regulatory complications and the airline sector itself, its customers, a number of carriers going through very difficult times at the moment and that's got to be worked with, from the airport side.

TFI: Turning to Ports, obviously the key deal for the Group this year, has been completion of acquiring DP World Australia...

CAMPBELL: Yeah.

TFI: it was a great deal. How is that acquisition bedding down there and what's your plan for the asset?

CAMPBELL: Well, I think the asset continues to perform well. I would say, slightly ahead of the acquisition plan but probably we've tempered or management has tempered the forecast in the medium-term, reflecting a view that the strong economic performance that's been there in Australia for the last couple of years, is likely to temper, somewhat.

We are delighted with the investment, we are particularly delighted with the partnership with DPW, which is actually fantastic business, the best container terminal operator in the world and I mean, it was a very good coincidence really, that they were looking to redeploy capital to the higher growth and more the Greenfield activities within their business and it presented an opportunity for us to invest in one of the mature assets that has performed well and continues to do so.

The management team is very strong. I would say that's the characteristics of the businesses that we have invested in and it enables us to continue to invest through those management teams with those management teams, if opportunities arise. We have seen that, if incremental opportunity comes up with DPW elsewhere in the world or indeed through a DPWA joint venture, I'm sure we would have enthusiasm to commit more capital there.

TFI: Could you take me through the debt funding structure of the acquisition and the banks that's supporting the deal?

CAMPBELL: The debt funding is essentially a five-year term loan from seven banks, a mixture of Australian and non-Australian institutions. It's not in any way aggressive, I think the debt to equity at the moment is substantially below four times and I mean, I think, that's partially reflective of the time when we started the conversations with the banks, where there was liquidity difficulty and the business itself is just emerging from 2009 which was -- in Australia it was almost difficult to trade the terminals business had had for 20 years.

So, moving forwards, we are not in any particular hurry to change things. We really just want the banks, the company itself to bed down and for everybody to get used to the idea of this

now being a local board government company with its own capital structure and its own bank relationships.

But as a general comment, the market in Australia with -- offering infrastructure, very long-term assets, only really five-year tenure money is a fundamental mismatch and over time, I'm sure, we'll look to better balance, better match the tenure of our debt with the tenure of the assets themselves.

TFI: In terms of market share, DP World Australia has about 50% market share of the Australian container market...

CAMPBELL: Yeah.

TFI: In recent days shipping lines such as ZIM have announced major losses and we've seen MISC announce their withdrawal from the container shipping market, what's your concerns and views now, with the health of the shipping lines?

CAMPBELL: Well it has been a volatile period for the liner companies. They had a tough time, a very, very, tough time, sort of two years ago as well but it has always been a difficult industry and it makes it really important that DPW itself has global relationships with these Liner companies and can do what it can, to help them through the cycle and from our perspective, to also understand, what demand is going to be and what level that demand is going to be, so that we don't over invest and have a mismatch of our expectations, in terms of investment recovery versus what the market is going to bear.

It's not a monopolistic business, it's very much an integrated approach between customer and supplier of terminal services and that's the way it's going to continue.

TFI: Turning to the U.S. markets, the Group's bid on two high-profile assets which didn't come to fruition for various reasons, there's the Pennsylvania Turnpike and the Midway airport deal. What's your view now, on the U.S. market for asset sales and privatizations and expectations going forward?

CAMPBELL: We'll see. There has been -- I mean, I think, there may well be some more activity in Puerto Rico, the airport's now been auctioned following, I think, the successful privatization of, I think, the first of the toll road packages that they're doing there.

I mean, one would have thought -- without stating the obvious, one would have thought that there would be opportunity for moderately priced private capital to play a role in the ownership of mature and developing U.S. Infrastructure and it remains something of a -- I wouldn't say a mystery but a frustration for a lot of people, that those sorts of opportunities haven't really been forthcoming.

There is a lot happening in the last few years there obviously, I mean, the second major run on the financial crisis is now -- or maybe it's the third, I don't know, is now underway and seeing through that, it's quite difficult to see what will prompt municipalities and the federal government to move heavily on privatizations, versus more introspective and introverted approach at the moment.

TFI: You are now based in Australia as Asia-Pacific Head, what's your view on market activity in that region in general infrastructure investments?

CAMPBELL: Outside of Australia and New Zealand, I mean there is quite a large amount of infrastructure opportunity in the subcontinent, moving across through Southeast Asia and China and so on, really, on a country by country basis and I think a lot of those opportunities are actually quite short term and more private equity, traditional private equity in nature.

As far as Australia is concerned and by the same token New Zealand, has continued privatization activity and there's a reasonable amount of secondary market activity. It's a very competitive market down there, capital is priced quite aggressively and so international funds

like ourselves, we've got to really pick our spot, where we're adding value and where we're competitive, which really rules us out some of the lower return, more mature sectors down there.

TFI: And if you could sum up in three words, your expectations what 2012 will deliver?

CAMPBELL: Three words! You should've asked me ahead. I hope more clarity and more stability in Europe.

As to the existing investments that we've got and I hope more opportunity here but in the meantime, we'll continue to do what we have committed to our investors that we will do and work with them to try and deliver value.

TFI: Colin, thank you much. Thank you.