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Macquarie pulls out of toll road privatisation bid

INFRASTRUCTURE

By Robert Wright
in London

A key bidder has dropped out at the last minute from a privatisation competition that could mark a radical step forward for the handing of US roads to the private sector.

According to people involved, banks that were contracted to finance a bid by a consortium of Australia's Macquarie and Cintra, the Spanish toll road operator, to run the Pennsylvania Turnpike are now financing other bids. The move signals clearly the Macquarie consortium has dropped out of bidding for the US's longest toll road, for which bids have to be submitted today.

Macquarie's move is the latest in a series of controversies to hit plans by Edward Rendell, Pennsylvania's governor, to lease out operation of the 500-mile-long toll road for 75 years to the private sector, to shore up the state's transport budget. The privatisation - which Morgan Stanley, the state's adviser on the deal, has estimated could raise \$12bn to \$18bn - is set to be the biggest privatisation of a US road.

The withdrawal of Macquarie and Cintra is a particular blow to the competition because the pair have together been key players in

a recent wave of high-value deals to hand over roads to the private sector. In 2004, they together paid \$1.82bn for a 99-year lease on the Chicago Skyway and in 2006 also jointly paid \$3.85bn for a 75-year lease on the nearby Indiana Toll Road.

People involved believe the consortium withdrew after Mr Rendell on Monday demanded bidders submit new, higher offers because losing bids had come within 10 per cent of the winner. The final winner is due to be announced on Monday.

Mr Rendell, a Democrat, is under pressure to produce as high a bid as possible to overcome opposition to his plans.

The state senate, controlled by the Republican party, wants to continue with the turnpike being run by the state's Turnpike Commission.

Macquarie's withdrawal leaves two bidders, one a consortium of Australia's Transurban Group, a big toll road investor, with Goldman Sachs, the US bank; the other a consortium of Citi Infrastructure Investors, part of Citigroup, Spain's Abertis and Australia's Babcock & Brown.

Chuck Ardo, a spokesman for Mr Rendell, said yesterday that, even after a winner was announced, the legislature opposition meant the handing-over of the concession would be "far from a done deal".