

ITE College West: Singapore meets UK PFI

10/04/2009

Gammon Capital closed the financing for the S\$316 million (\$209 million) ITE College West project, the first education PPP in Singapore, on 12 August 2008. The deal is notable for overcoming the challenging lending environment, setting a number of precedents and reinforcing the Singapore government's commitment to PPP procurement.

The lead arrangers of the debt for the project are Sumitomo Mitsui Banking Corporation, Bank of Tokyo-Mitsubishi UFJ, Dexia and DZ Bank. Debt comprises a S\$285 million 26.5-year term loan (average life of 15 years), a S\$31.3 million 3-year equity bridge facility and a S\$11.7 million 25.5-year debt service facility. All facilities are 100% interest-rate hedged. Debt pricing is 95bp over Singapore swap offer rate (SOR) during construction period, 85bp over SOR from year 1 to 10, and 95bp from year 11 and thereafter. There is a sculpted repayment profile with min/average DSCR of 1.15x.

Gammon Capital, an Asia PPP development vehicle that is a joint venture between Balfour Beatty and Jardine Matheson, won the 27-year concession in November 2007. The award was Balfour Beatty's first PPP outside the UK market. The construction contractor is a subsidiary of Gammon construction group and the facilities management contractor is United Premas Ltd a subsidiary of United Group Limited of Australia.

The project involves the construction of a new western campus for the Institute of Technical Education. The New ITE College West will be a comprehensive college with niche courses in hospitality, retail and automotive, to support the growth of the hospitality and tourism sector in Singapore.

It is the second phase of the ITE's plan to consolidate 10 existing ITE campuses into three larger sites, and will open in 2010.

The project sets a marker for UK-style PPP risk allocation for future projects in Singapore and the wider region with a catalogue of firsts: The deal is the first PPP project in Singapore, modelled on the UK PFI template, to achieve financial close. It is the first PPP transaction in Singapore with a debt tail of only 6 months. It is the first project financing in Singapore levered to 90% and features the longest tenor ever for a project in Singapore.

ITE College West

Status: Financial close 12 August 2008

Description: \$190 million financing backing the new western campus for the Institute of Technical Education, Singapore

Sponsor: Gammon Capital

Mandated lead arrangers: HSBC; Sumitomo Mitsui Banking Corporation; Bank of Tokyo-Mitsubishi UFJ; Dexia; DZ Bank

Financial adviser to sponsor: HSBC

Financial adviser to ITE: PricewaterhouseCoopers

Lender legal counsel: Ashurst

Sponsor legal counsel: Allen & Overy Shook Lin & Bok

ITE legal counsel: Linklaters Allen & Gledhill

Technical adviser: Davis Langdon & Seah

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.