Singapore Sports Hub: Record breaker

21/09/2010

The S$1.76 billion ($1.31 billion) Singapore Sports Hub, the worlds largest sports infrastructure PPP, reached financial close on 26 August, more than five years after first launching.

The scale and nature of the development, which includes several stadia as well as commercial facilities, is unique for a PPP project. Aside from the physical infrastructure, which has a construction cost of S$1.33 billion, the government is procuring the private sector expertise to instigate what it hopes will be a paradigm shift in spectator and participation in sport in Singapore. This has resulted in a complex contractual structure where different parties have responsibility for different aspects of the commercial operation.

SportsHub Pte, the project company, raised a S$1.5 billion 10-year soft mini-perm from a group of 11 banks and a S$266 million equity bridge with a three-year, seven-month tenor from four of those banks.

Singapore Sports Hub Consortium (SSHC) is sponsoring the 25-year concession. Its equity partners comprise HSBC Infrastructure (82%), Bouyguess Asian subsidiary Dragages (11%), Global Spectrum (4%) and United Premas (3%). These are just the equity holders in a much larger consortium requiring a complex interface agreement that apportions responsibility not just between design/ build and facilities maintenance contractors, but also a venue operator, sports consultant, catering contractor, retail manager and ICT provider. The project companys wide ambit effectively makes it a small trading company.

HSBC was the financial adviser to the consortium and forms part of a bank group that includes Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, Credit Agricole, DBS Bank, National Australia Bank, Natixis, Overseas-Chinese Banking Corporation, SMBC, Standard Chartered and WestLB.

The mini-perm has a nominal tenor of 24 years with a balloon payment at year 10. Margins are 250bp over Sibor for the first five years, with a step-up to 275bp after that. The margin is 175bp on the equity bridge loan, which HSBC, NAB, Natixis and SMBC are providing. The package comes with a refinancing guarantee at year 10 from the government and the debt service cover ratio is 1.15x. The debt was between 30% and 50% oversubscribed, with ticket sizes ranging from S$100 million to S$200 million.

The deal comes with a mechanism to ensure that any cost savings that result from an early refinancing are shared with the government through a review of the unitary payment.

The project, located on a 35-hectare site in Kallang, includes a 55,000-capacity National Stadium, a 6,000-capacity indoor Aquatic Centre, a 3,000 capacity multi-purpose arena, the existing 12,000-capacity Singapore Indoor Stadium and supporting leisure and commercial developments, including 41,000 square metres of commercial space.

The consortium will begin demolition of the National Stadium by October 2010 and the new Sports Hub will open its doors by April 2014.

The government will make unitary payments to the sponsor, which will be sufficient for meeting payments on the project debt before the balloon repayment. However, there is a profit sharing mechanism in place for the third party revenues, ensuring that a sizeable portion goes back to the government. The government hopes this means the project will end up paying for itself, with the third party revenues big enough to cover the unitary payments. The banks are protected from this commercial aspect of the project by a complex account structure that effectively keeps third party revenues separate from the PPP.

The concession awarder, the Singapore Sports Council (SSC), has guaranteed at least 90 days of events at the National Stadium and 46 days at the Singapore Indoor Stadium.

In one example of the grand vision involved, the consortium is charged with trying to form an ASEAN Superleague for football clubs in the region, a project that would involve research and negotiations with football associations in other countries, and would bring the sale of sponsorship and TV rights within the projects scope.

Added to the complexity arising from the projects scope and scale, the global financial crisis also made this a difficult project to close. When it reached the market in November 2009 the bank market had begun its recovery but was not yet buoyant.

The project had already been subject to delays when the SSC, declared SSHC as the preferred bidder in January 2008, ahead of competition from consortia led by Macquarie and Alpine. All involved realised there was no chance of meeting the rather optimistic official timetable of closing the financing within two months, especially as price inflation from the earlier delay had pushed up the capex cost.

When it became clear that the initially proposed 23.5-year debt facility backed by BTMU, Calyon, Depfa, DZ Bank and HSBC was no longer feasible, the government reconsidered its options and at one point thought about going down the public funding route. In the end a funding competition was launched in the autumn of last year, with 10-year debt on a take-and-hold basis preferred over longer tenor and underwritten options.

Singapore Sports Hub
Status: Closed 26 August 2010
Size: S$1.79 billion
Description: Construction of several sports stadia and associated commercial operations
Sponsors: Dragages, HSBC Infrastructure, Global Spectrum and United Premas
Concession awarder: Singapore Sports Council
Senior debt: S$1.5 billion
Tenor: 10-year soft mini-perm
Lenders: Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, Credit Agricole, DBS Bank, HSBC, National Australia Bank, Natixis, Overseas-Chinese Banking Corporation, SMBC, Standard Chartered Bank and WestLB
Lender legal counsel: Ashurst
Sponsor legal counsel: Norton Rose
Concession awarder legal counsel: Hogan Lovells Lee
Concession awarder financial: PwC
Lender technical: Faithful and Gould
Environmental adviser: Mott MacDonald
Insurance advisers: Aon (lender), Willis (sponsor)