



## Airport bond issue takes off

ALAN WOOD Last updated 05:00 29/11/2012

Christchurch International Airport is tapping into "a wall" of money looking for quality investments through its first bond issue to raise debt.

Chief executive Jim Boulton said the offer would probably have to close early as it reached a \$75 million ceiling.

He said more than \$50m had been raised on the first day of the bond issue yesterday, above the minimum level set in the prospectus, showing strong investor interest in the airport. The issue would likely close early, possibly today.

The bonds would possibly provide funds at a cheaper rate than existing bank debt in the current market conditions, he said.

"We [the board] want to cement the current favourable interest rates for a long term. Seven years is about the optimum to get a good interest rate . . . it's probably cheaper," Boulton said.

The airport, 75 per cent owned by Christchurch City Council and 25 per cent by the Government, is seeking to borrow money from institutions, investment and superannuation funds.

The airport says the timing is right to issue the seven-year bond. Investors will receive a yearly interest payment of about 5.15 per cent and will be repaid at the end of seven years.

The airport has an existing \$300m funding facility with five banks and a subordinated loan of \$50m from the council's investment arm, Christchurch City Holdings.

The CCHL loan had been sourced at "more favourable" levels than market loans available at the time, Boulton said.

It was reducing the bank facilities through the \$50m-\$75m raised, when tranches of the bank funding rolled over in February.

Further debt tranches would roll over later in 2013 but it had not been decided how to replace those facilities, whether it be with fresh bank funding or further bond issues.

Boulton said banks were still very willing to lend money to the "conservatively geared" airport with more than \$1 billion of assets.

But potential bond investors were currently looking for "solid places" to put their money.

"We are told there's a wall of money out there looking for quality investment."

There had been notable other bond issues recently, Boulton added.

Auckland International Airport yesterday announced it was considering making an offer of up to \$100m of unsecured fixed rate bonds to the New Zealand public.

CIAL is undertaking a \$235m redevelopment that includes a domestic terminal and other facilities.

"Towards the latter half of the current decade our debt level will start to drift down," Boulton said.

International ratings agency Standard & Poor's has assigned an "A-" long-term rating with a negative outlook to the airport's bond issue, partly reflecting Christchurch's "strong local competitive position" as the main airport in the South Island.

CCHL chief executive Bob Lineham said the holdings company itself raised debt through issuing bonds, commercial paper and other debt, with \$200m of bonds and floating rate notes on issue now.

The issue of bonds by CCHL and the airport was not connected to a recently announced higher financial commitment to CCHL by the city council, Lineham said, in which banks have required the council to pledge a much higher level of security - \$650m - to its investment arm.



The Press - [www.press.co.nz](http://www.press.co.nz)

Like 11,202

- © Fairfax NZ News