

# Exclusive: Channel Tunnel rail link owners launch refinancing

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The owners of the Channel Tunnel rail link, known as High Speed One (HS1), will launch a refinancing of its £1.5bn debt mountain, *The Independent* can reveal.

The Canadian consortium of Ontario Teachers' Pension Plan and Borealis Infrastructure is looking to take advantage of low repayment rates in the corporate-bond market, which has been on fire since the start of the year.

Ontario and Borealis bought HS1, which runs from St Pancras station in London until it starts going underground in Kent, for £2.1bn in 2010 with bank loans.

Swapping that debt for corporate bonds will save the Canadians money and give them a longer to repay the cash. It is understood that HS1's chief executive, Nicola Shaw, already refinanced about £500m late last year, but this comprehensive move could even see them make a small windfall.

Royal Bank of Scotland, one of the original lenders, is advising on the bond issue, the prospectus for which is expected to be sent out to potential investors this morning.

With more than two years of sound operational and financial figures, the bonds are expected to be snapped up quickly – vindication for the Canadians' decision to make such a high-profile purchase in the British infrastructure market.

This will also fuel government beliefs that wealthy overseas pension funds will be attracted to putting their money behind job-creating infrastructure projects. The Chancellor, George Osborne, has pinned his hopes on returning the economy to growth on building and maintaining roads, flood defences and waste facilities.

Since the new year investors have decided that they can no longer just sit on their money, so have poured cash into bonds out of fear that returns could shortly get even lower. This has led to a plethora of companies, such as the insurers AXA and Prudential, tapping the bond market for tens of billions of dollars this month.

The high-street fashion chain New Look was reported to have started a process to hire advisers to negotiate its debt pile of more than £1bn. Blackstone-owned Travelport, which processes online transactions for the travel industry, is also looking at renegotiating the terms of around £300m of debt so that they are less stringent, though it is not thought that the company is going down the corporate bond route.

However, there is a concern that these deals could herald a return to the days when companies' debt was not judged by their operational performance but simply the pre-crisis goal of investing for its own sake.

For example, many owners of private finance initiative projects, such as schools and hospitals, would look for peaks and troughs in the debt markets to refinance their money. They would often make small fortunes out of this, which did not necessarily reflect how

well that crucial infrastructure was actually run.

Ontario Teachers, which also backs the Lotto operator Camelot, and Borealis hold the concession to operate, manage and maintain HS1 until December 2040.