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Divestment - Case Studies

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Case study on asset-based divestment – outright sale

WestConnex Privatization in Australia

WestConnex is a 33km long motorway in Sydney and the largest toll road project in Australia. The motorway will be completed in 2023 and is being delivered in four main stages, the New M4 motorway (opened in 2019), the M8 motorway (opened in 2020), M4-M5 Link Tunnels and Rozelle Interchange (to be completed in 2023). The sale of 49% equity stake in WestConnex to Sydney Transport Partners comes after the 2018 sale of the project's 51% equity stake to the same consortium. The sale was structured into two tranches to increase competition among the bidders.

Transaction Details

WestConnex Privatization in Australia	
Asset Type	Toll Roads
Investor	Sydney Transport Partners: • Transurban • AustralianSuper • CPPIB • CDPQ • Tawreed Investments
Transaction Size	AUD 11.1 billion

Investor Class

The WestConnex sale generated strong interest from strategic investors and institutional investors such as Macquarie Infrastructure and Real Assets (MIRA), QIC Ltd, Abertis, IFM Investors and Canadian pension funds. The final bidders in the transaction are Sydney Transport Partners, IFM Investors and APG.

Bidders	**Bidder Profile**

Sydney Transport Partners	Consortium members:
Transurban	Toll road operator with assets in Australia, Canada, and USA
AustralianSuper	Australian superannuation fund
CPPIB	Canadian pension fund
CDPQ	Canadian pension fund
Tawreed Investments	Infrastructure investment vehicle of Abu Dhabi Investment Authority
IFM Investors APG	Global fund manager investing on behalf of institutional investors Dutch pension investment company

Source: Oliver Wyman (https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/infrastructure-asset-recycling-grc.pdf)

Case study on corporate divestment

Full Privatization of Air India

Air India is the national flag carrier of India and has experienced financial difficulties for multiple years under the operational control of the Indian government. The acquisition bid by Tata Group was one of two total bids for the loss-making airline. The government has over many years spent about USD 15 billion in public funds to pay increasing debt and expenses used to keep the airline operational. The sale realized USD 360 million in equity value to the government.

Transaction Details

Full Privatization of Air India	
Asset Type	Airlines
Investor	Tata Group
Transaction Size	USD 2.4 billion

Investor Class

The winning bid was made by Tata Group, an Indian conglomerate with operational expertise and experience through the two airlines under its portfolio, full-service carrier, Vistara and budget airline, AirAsia India.

Source: IJ Global (https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1762146)

Key Takeaways

- Preferred investor’s experience: Tata Group has previous successful privatization experiences in the telecommunications and hospitality industry.
- Private sector efficiency: Private sector entities run based on commercial decisions and are often more efficient than government’s operations; with Tata Group’s efficient management, operations

and costs are intended to be streamlined in addition to service improvements.
- Reducing the debt levels: With the increasing debt levels of Air India, divestment was the only option for the government to choose instead of continuously funding the loss-making entity with tax revenue.

Case study on partial corporate divestment

Partial Privatization of Oman Electricity Transmission Company

Oman Electricity Transmission Company ("OETC") is the owner and operator of the main electricity transmission network in Oman. The company was initially fully owned by Nama Holding, and is in turn wholly owned by the Government of Oman. In 2019, a 49% equity stake of OETC was acquired by State Grid International Development, a subsidiary of the State Grid Corporation of China. Nama Holding retains 51% equity stake in OETC.

Transaction Details

Partial Privatization of Oman Electricity Transmission Company	
Asset Type	Electricity transmission network
Investor(s)	State Grid International Development
Transaction Size	USD 1 billion

Investor Class

The sale of a 49% equity stake in OETC attracted EOIs from 16 international investors which translated into bids from 11 investors. The names of the bidders were not disclosed. The winning bid was made by the State Grid Corporation of China, a strategic investor with a proven track record and technical expertise in the operation of electricity transmission networks in countries such as China, Australia, Philippines, Portugal, Brazil, Italy, and Greece.

Source: London Economics, (https://londoneconomics.co.uk/blog/press-event/contract-signed-for-the-sale-of-49-of-omans-electricity-transmission-network/)

Case study on partial corporate divestment

Partial corporate divestment of the Jasamarga Transjawa Tol, operator of the Trans-Java Toll Road in Indonesia

The Jasamarga Transjawa Tol (JTT) is a subsidiary of PT Jasa Marga (Persero) Tbk (JSMR) formed in June 2017[1]. JTT operates the Trans-Java Toll Road, a vital expressway network in Indonesia that spans approximately 1,167 kilometers and handles around 850,000 vehicles daily. The toll road connects major cities across Java Island and is crucial for local and regional economic activities.

Jasa Marga sought to attract strategic partners to share the financial burden and risks associated with expanding and maintaining the toll road system, as its system matures and stabilizes operationally.

Transaction Details

The JSMR reduced its shareholdings in JTT from 99% to 65%[1] through a combination of share sales and new equity issuance in September 2024:

- Share sales: Divestment of 6.2 billion shares under a Share Purchase Agreement, valued at approximately USD 0.8 billion (IDR 12.8 trillion)
- New equity issuance: Issuance of 1.2 billion shares under a Conditional Share Subscription Agreement, valued at approximately USD 0.2 billion (IDR 2.5 trillion)

With this arrangement, JSMR retains majority ownership of JTT at 65% while allowing it to:

- Maintain its operational control over the Trans Java toll roads.
- Use proceeds from divesting shares to maintain gearing ratio of JSMR[1]
- Use proceeds of new share issuance to build new roads[1]

The involvement of established investors like PT Nusantara Infrastruktur Tbk (META)1, Metro Pacific Tollways Corporation (MPTC)[1] and the Government of Singapore Investment Corporation (GIC)[1] enhances the credibility and financial stability of the venture.

Partial Privatization JTT

Asset Type	Toll road infrastructure
Investor(s)	• PT Nusantara Infrastruktur Tbk (META), Indonesian infrastructure company • Metro Pacific Tollways Corporation (MPTC), Philippines toll road developer and operator • Government of Singapore Investment Corporation (GIC), Singapore's sovereign wealth fund
Transaction Size	USD 1 billion (IDR 15.8 trillion)

Partial corporate divestment of the Jasamarga Transjawa Tol, operator of the Trans-Java Toll Road in Indonesia]

Partial corporate divest
Partial corporate divestment of the Jasamarga Transjawa Tol, operator of the Trans-Java Toll Road in Indonesia
Source: https://www.idnfinancials.com/news/51034/lowering-debt-jasa-marga-divest-shares-trans-jawa-toll-road

Investor Class

The transaction attracted sovereign wealth funds from Singapore and Indonesia alongside other strategic investors:

1. The Indonesia Investment Authority (INA), the sovereign wealth fund of Indonesia.
2. The GIC and Metro Pacific Tollways Corporation (MPTC) Consortium is a strategic partnership that comprised:

- the Government of Singapore Investment Corporation (GIC), a Singapore sovereign wealth fund, which invested through Warrington Investment Pte Ltd (WIPL).
- Metro Pacific Tollways Corporation (MPTC), a prominent Philippine toll road developer and operator, which invested via the PT Metro Pacific Tollways Indonesia Services (MPTIS).
- PT Nusantara Infrastruktur Tbk (META), an Indonesian infrastructure company, which was involved in the consortium through PT Margautama Nusantara (MUN).

Sources: PT Jasamarga Transjawa Tol https://www.jmtransjawatol.co.id/en/about-us/profile/pt-jasamarga-transjawa-tol-overview

PwC Blogs https://www.pwc.com/id/en/media-centre/infrastructure-news/october-2023/ina-interested-in-acquiring-35-percent-shares-in-jasamarga-transjawa-toll-road.html

Related Content

- **The PPPRC Asset Recycling Section**
- **Executive Summary: Asset Recycling**
- **Asset Recycling Projects**
- **Asset Recycling Programs**
- **Table of Contents for Asset Recycling**

This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please contact the PPP Resource Center using the feedback form.