

## Dubai operator scores Qingdao coup

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DP World agrees to invest US\$500m in four berths at port terminal complex

DP World, the acquisitive Dubai-based port operator, has agreed to spend up to US\$500 million on a new container terminal complex at the booming port of Qingdao in northern China's Bohai Rim.

Under the deal, one of three signed on Friday by Qingdao municipal authorities, DP World will wholly own a four-berth project at the port's south basin, pending approval from Beijing.

"This is a very important step for DP World. The new terminal at Qingdao is a crucial development in our strategy of investing and developing ports in the world's growth markets, particularly in China and North Asia," chief executive Mohammad Sharaf said yesterday. "DP World is fully committed to participating in the long-term growth of the transport and logistics industry of China."

Building will start immediately and the project should be operational by late 2008. Taiwan's Evergreen Group and local shipping firm SIDC were awarded the other four berths in the eight-berth project.

Pending approval, the greenfield site deal will secure the rights to an asset the former Dubai Ports International bought early last year when it paid US\$1.15 billion for the global assets of United States rail giant CSX Corp.

The CSX deal saw DP World also buy part of three berths at Hong Kong's main terminal complex at Kwai Chung.

Qingdao authorities reportedly had been uneasy that the development rights for the valuable site had not remained in the hands of the winner of the original contract. However, sources close to the deal yesterday said they were won over in part by interest from senior levels of the Dubai government and private sector for a series of infrastructure and financial projects in the city.

Talks with well-capitalised firms such as Emirates National Oil and Dubai investment house Istithmar are said to be in the preliminary stages for a series of projects including the building of oil and gas terminals, desalination plants and a dedicated yachting facility for the 2008 Olympic Games.

Qingdao will play host to several sailing, rowing and windsurfing events in the next summer games in Beijing.

Istithmar this month said that it was talking to Chinese officials about setting up a mortgage securitisation business in the mainland.

The company announced a capital expenditure budget of "at least US\$3 billion" next year that could be targeted at the financial services industry, property and the consumer sectors.

The terminal will offer 1,320 metres of quay length and an annual container handling capacity of two million 20-foot boxes.

The project will further heighten competition at the port's south basin where China Merchants, P&O Ports and APM Terminals, a division of Denmark's AP Moller Group, operate facilities.

It is understood that the deal was signed on Friday after months of intensive lobbying by the existing operators, led by P&O Ports, as they positioned themselves in a bid to keep the cash-rich Middle Eastern operator out of Qingdao.

DP World also bought Bohai-based facilities in Tianjin and Yantai as part of last year's CSX purchase.

Media reports in Britain suggest that the Middle Eastern operator is on the verge of a minimum £3 billion (\$40.67 billion) offer for P&O Ports' London-listed parent.

However, senior management at DP World say they have yet to decide whether or not to make an offer for P&O.