C/M/S/
Law.Tax

Financing Transport Infrastructure

September 2014

Financing Transport Infrastructure

- PPP Definition
- Project Risks
- Contract Structures
- Case Studies
- Key Issues
- Conclusions

PPP Definition

– Public Private Partnership (PPP)

"*typically medium to long term, between the public and private sectors whereby some of the services that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/ or public services*"

World Bank - PPP in Infrastructure Resource Center

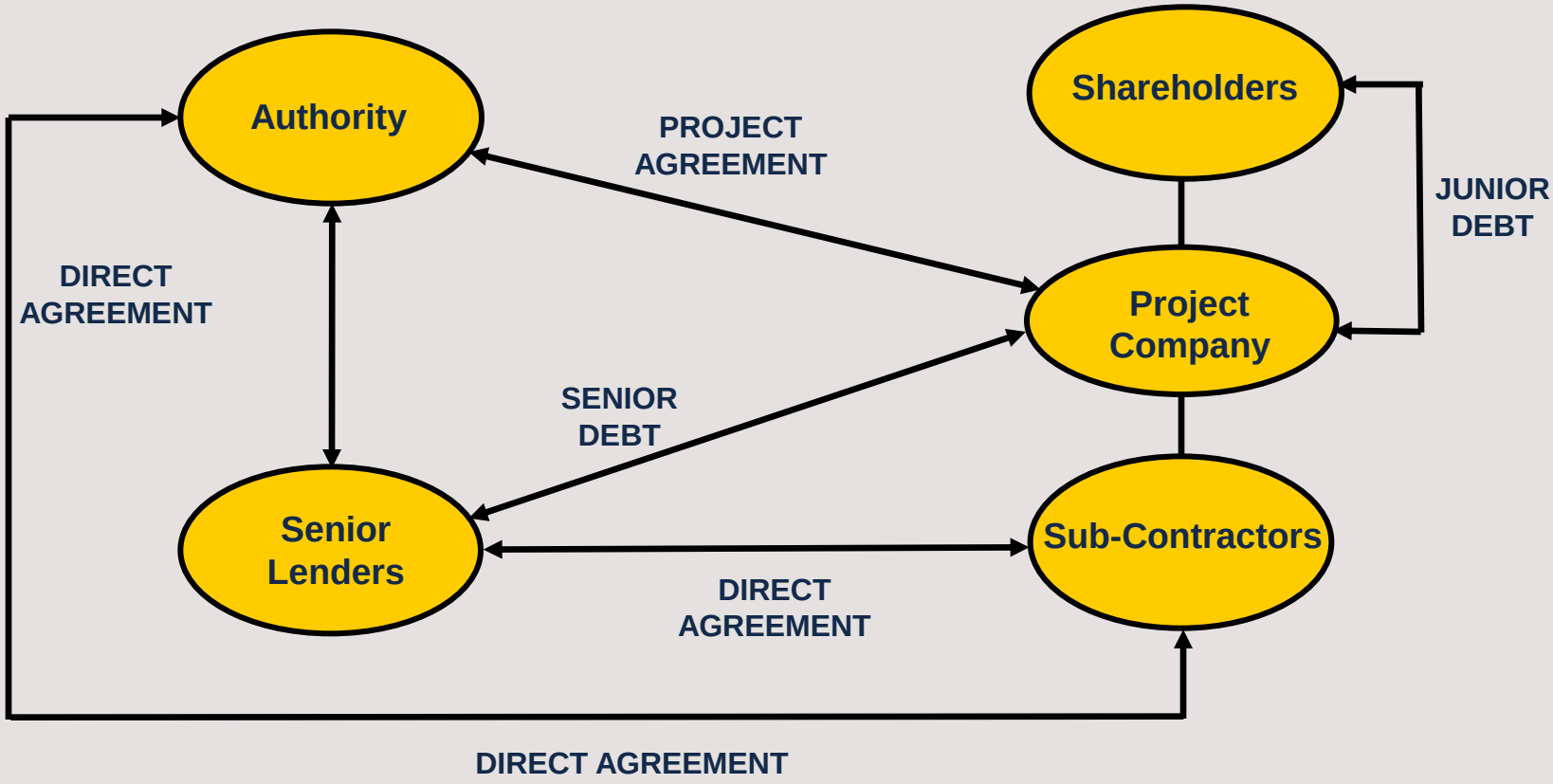
PPP Definition

- Potential use of PPP model for transport projects
  - Railways
    - New lines
    - Infrastructure enhancements
    - Stations
  - Roads
  - Tunnels and bridges
- Common features
  - Provision of services
  - Availability payment

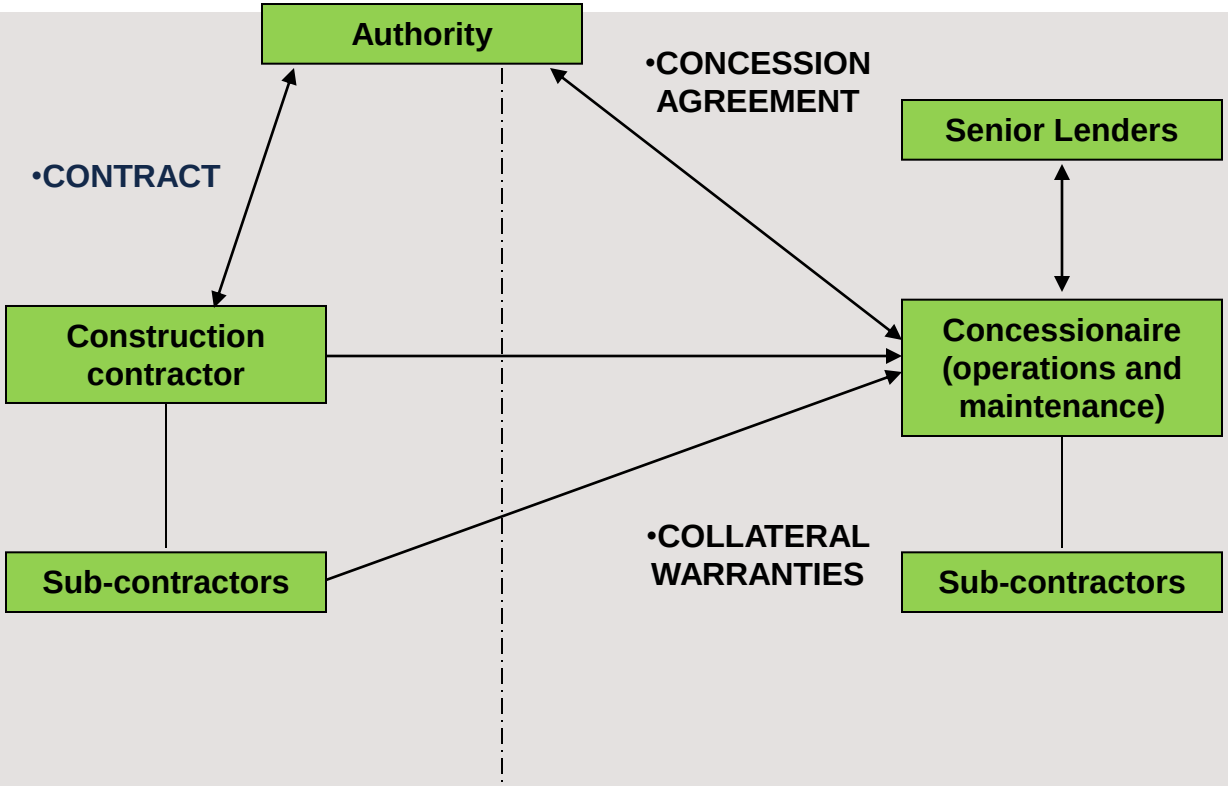
Project Risks

- Political risk
  - Change of Government
- Construction risk
  - Unforeseen ground conditions
- High capital cost
  - Need for capital contribution
- Demand risk
  - Passenger revenues
- Availability of finance
  - Market liquidity

Contract Structures – PPP Model



Split construction/ concession



Case Studies - High Speed 1

- 100km high speed line linking St. Pancras International to the Channel Tunnel
- London & Continental Railways Limited awarded concession to design, build, finance and maintain HS1 in 1996

Case Studies – High Speed 1

- HS1 procured as a privately financed project - process started in 1993 with restructurings in 1998 and 2001
- Built in two phases - Section 1 completed in September 2003 and Section 2 completed in July 2007
- Capital cost GBP 6 billion
- Sale of 30 year concession to Canadian pension fund for GBP 2 billion in November 2010
- Wider benefits – Urban regeneration

Case Studies - Tramlink

- Existing Tram System linking areas outside Nottingham to the city centre – NET Line One
- Extension to network with construction of two new lines
- New concession including Net Line One – NET 2
- NET 2 procured through a PFI process
- Tramlink Nottingham consortium awarded 22 year concession
- Capital cost GBP 520M
- Availability charge with revenue sharing

Case Studies – M6 Expressway

- Connects two junctions of existing M6 motorway north of Birmingham
- Toll road - 27 miles with 6 lanes
- Midland Expressway consortium awarded 53 year concession to build, operate and maintain in 1992
- Construction completed in 2003
- Capital cost GBP 750M
- No concession fee
- Development of service station areas

Case Studies - Mersey Gateway

- New estuarial crossing for the Mersey estuary with capital cost of approximately GBP 450M
- PPP project for the design, construction, operation and maintenance of the bridge
- Journey time payment mechanism based on maintaining the average speed of traffic
- Separate contract for the free-flow tolling of the bridge with associated obligations relating to collection of minimum toll revenue
- Finance includes capital grant

Key issues – Risk Allocation

Risk	Public Sector	Shared	Private Sector
Route for the scheme	√		
Permits to carry out works		√	
Land acquisition	√		
Due diligence			√
Existing infrastructure condition	√		
Interfaces with other infrastructure		√	
Change in law		√	

Key issues – Risk Allocation

Risk	Public Sector	Shared	Private Sector
Construction costs			√
Ground conditions		√	
Commissioning			√
Patronage		√	
Infrastructure failure		√	
Unforeseen changes		√	
Handback condition			√

Financing Transport Infrastructure - Conclusions

- Use of PPP model for transport projects
  - Flexibility
  - Durability
  - Market appetite
- Track Record
- Strengths and weaknesses

Contact

Jonathan Beckitt
Infrastructure and Project Finance Group
CMS Cameron McKenna LLP
Mitre House 160 Aldersgate Street London EC1A 4DD
Tel: +44 20 7367 2113

jonathan.beckitt@cms-cmck.com