



PPP / CONCESSION ROAD: LESSONS LEARNT

Jean-Denys ARNAL

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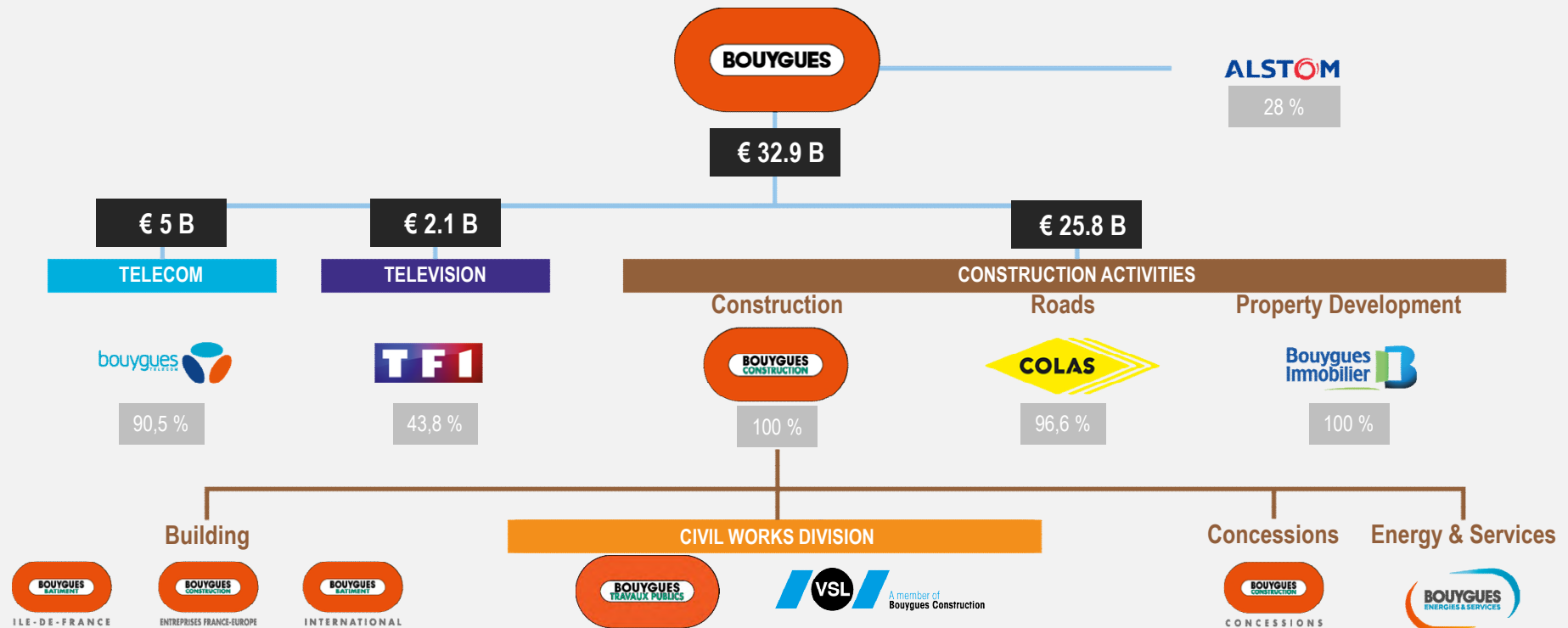


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HOLDING'S STRUCTURE





MAIN PPP PROJECTS

FRANCE

ALIS - A28 Highway
ADELAC - A41 Highway
MARS - Reims Tramway
CSDF - Stade de France
AREMA - Vélodrome Stadium
OC'VIA - CNM

GERMANY

WQG - Rostock Tunnel

USA

Port of Miami Tunnel

UNITED KINGDOM

TT2 - Newcastle Tunnel

KOREA

BNCT - Busan Port

IVORY COAST

SOCOPRIM - Riviera Marcory Bridge

CROATIA

BINA - Istrian Highway

SOUTH AFRICA

BOMBELA - Gautrain Rapid Rail Link
N17 - Highway



MAIN CONDITIONS FOR A SUCCESSFUL PPP

- A favourable country context
- A legal and financial set up that is both sound and realistic
- A public partner who gives the opportunity to provide alternative solutions
- A private partner formed by technically and financially strong companies
- An adequate risk allocation between the public and private partners



FAVOURABLE COUNTRY CONTEXT

- Strong political commitment to carry out a PPP project
- Land availability for road projects through acquisition or expropriation
- Legislation permitting the concession of infrastructure to the private sector and to secure lenders recourse
- Legislation offering concession protection in order to attract lenders and investors
- Availability of international arbitration and dispute resolution board
- Fair legislation for contract termination



PROJECT RISKS FOR THE PUBLIC SECTOR

The main risks to be managed by the public sector for a viable project are:

- Declaration of public utility
- Environmental, construction permits...
- Geological, archaeological risks
- Debt reimbursement in the event of early partnership termination or contract annulment
- Risk of fluctuating interest rates



RISKS ALLOCATION IN A ROAD PROJECT

RISKS	PRIVATE PARTNER	PUBLIC PARTNER
Land acquisition or expropriation		X
Geological	X	X
Archaeological	X	X
Land decontamination	X	X
Major utilities relocation	X	X
Obtaining major permits		X
Obtaining minor permits	X	
Completion time	X	
Quality (construction / services)	X	
Currency risks		X
Inflation risks		X
Traffic volume risks		X
Amendments to legislation		X
Force majeure		X



PARTNERS' CONTRIBUTION TO A PPP

→ Public: subsidies and financial guarantees

- Investment subsidies
- Operational subsidies
- Revenue guarantees
- Loan guarantees

→ Private: project guarantees

- Construction guarantee (lump sum price and fixed schedule)
- Operational guarantee (lump sum operational costs guaranteed for the duration of the contract)
- Construction performance guarantee (for the duration of the contract)

MAIN ADVANTAGES FOR THE PUBLIC

- Construction of better quality as the private partner must maintain the asset for a long period
- Optimisation of the infrastructure depending on the traffic

RECOMMENDATIONS

- ① Select experienced international financial and legal advisors
- ② Establish prequalification criteria to shortlist only adequate candidates
- ③ Prequalify 2 to 3 candidates taking into consideration bidding costs
- ④ Consider sufficient procurement time to assure financial resources in the market
- ⑤ Organize meetings with bidders to obtain a bankable concession agreement (risks sharing)
- ⑥ Pay bidders for some of the bidding costs and cover the preferred bidder's expenses if financial close cannot be reached due to country conditions



REVENUE STRUCTURE

Many schemes are possible. We nevertheless advise:

→ **Availability Payment Mechanism**

Payment to Private Partner based on contract performance independently of road users demand fluctuations.



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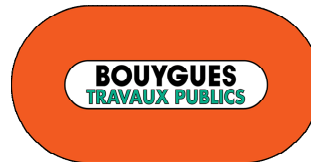
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