SPANISH ROADS’ PPP CONTRACTS: LAST DEVELOPMENTS

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Johannesburg, 3rd November 2010
<table>
<thead>
<tr>
<th>Plan</th>
<th>Length</th>
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<tbody>
<tr>
<td>NATIONAL TOLL ROAD PLAN (1964)</td>
<td>6,430 km</td>
</tr>
<tr>
<td>GENERAL ROAD PLAN 1984-1991</td>
<td>No Tolls</td>
</tr>
<tr>
<td>DIRECTOR PLAN OF INFRASTRUCTURE (PDI 1993-07)</td>
<td>490 km</td>
</tr>
<tr>
<td>TRANSPORT INFRASTRUCTURE PLAN (PIT 2000-07)</td>
<td>769 km</td>
</tr>
<tr>
<td>STRATEGIC INFRASTRUCTURE AND TRANSPORT PLAN (PEIT 2005-20) (Toll and Shadow Toll)</td>
<td>1,500 km</td>
</tr>
<tr>
<td>EXTRAORDINARY INFRASTRUCTURE PLAN (PEI 2010-13) (shadow tolled)</td>
<td>N/A</td>
</tr>
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</table>
EVOLUTION OF TOLLED ROAD NETWORK IN SPAIN
A NEW SYSTEM OF BID (SPANISH MODEL)
MUCH SIMPLIFIED AS POSSIBLE

- Few award criteria: Economic, and Technical.
- Fix terms
- Nearly Fixed tolls
- Use of Quality Indicators as a basis for bonuses
- It was decided not to considered as a basis to award the concession the amount of public funding.

(The reason for that is try not to force the bidder to reject the use of a public funding that Administration's studies show as necessary. Of course it is limited to a maximum)

RESULTS

- 6 months to sign the contract
- Few Civil Servants to carry out the procurement
- Very cheap in terms of money and cost for the tenders.
NEW SHADOW TOLL CONTRACTS
These highways, built in the 80s, present a lack of modern design, building techniques compared to those built in the 90s.
The Ministry of Fomento has raised the possibility of focusing this project as a PPP one, with the double aim of:

getting the achievement without a specific impact in the deficit, with the use of the near future funds for maintenance and, on the other hand,

fastening the quality of maintenance of the high capacity axis during the concession period, which supports a high percentage of traffic of our Country.
So, a concession system has been planned. The system includes the building and maintenance of these infrastructures with a shadow toll, (which means that the Public Administration pays the concessionaire depending on the kind and number of vehicles that drive through these roads). The payment is modified in a significant way depending on demanded parameters (related to quality of service).
The project is split into 2 phases,

the first one studies the updating of the main priority axis (A-1, A-2, A-3 y A-4) which have the preprojects (draft projects) done and

a second phase should study the updating of the Highways A-5 and A-6. (and a stretch of A2)
The whole updating will be included, with more than 2100 Km of highways and a total amount of foreseen expenses higher than 6300 million €.


The main characteristics and expenses of the first phase are the following:

Necessity of investment for the updating and rebuilding around 1850 Million €.

Total length 1,522 Km.

So, the initial investment per Km rises to 1,2 Mill €.
VPD is known and is very high

About 17500 million Veh * Km /year in 2006.

The aim of the contract foresees 3 kinds of actions:

- Works for adapting, repairing and updating
- Replacement and “big repairs”
- Periodical maintenance and management of the infrastructures
The main characteristics that define a PPP and that are essential in the establishment of these contracts are the following:

It must be a long term contract between a Public Administration and a private organization.
To operate the highway, the private partner must invest in assets or, at least, to rebuild the existent asset.

Through measuring the equity value of the roads, including its depreciation, it is found that investments for updating are higher than 50\% of the replacement value of each stretch in which the works are divided. So, it is considered enough.
The private partner is obliged to give the service following the quality standards established in the contract.

The Administration is the main payer in spite of not being the final user. The future payments are determined depending on the light and heavy traffics and are adjusted automatically according to the observance of strict quality standards settled down in the contract.
Once the project has been chosen as PPP one, it is necessary to study the effects in terms of Public Accounts.

As the initial investment must not be considered into the public deficit, it must join several simultaneous conditions:

Building Risk in the side of private partner

At least one of the following risks, availability or demand, must be in the side of the private partner.
Related to the first risk, the bidding sheet defines its private assumption: the private partner must assume the total risks that comes from the construction.

Related to the second risk, it would be illogical to base it on demand (there is an important reason that explains it): The traffic in the corridor is known, it is not a new itinerary.

In spite of future fluctuations, that will probably appear, It is not reasonable to think in large fluctuations related to the forecasts, as a contract based on demand risk runs the risk of being understood as a non-existent risk assumption.
Thus, it is preferred to introduced in the bidding sheet a double system: the canon is based on demand, applying a price. Nevertheless, this canon is not calculated itself but its NPV and its yearly payment, are going to be limited according to the tenders. (Cap)

Besides, this canon is going to be under several automatic discounts, (Triggers) related to the achievement of some quality goals in the operation level. This is an essential part of the contract as it lets the concessionaire to assume the availability risk.
The fact of having substantial, automatic and laid out discounts in the contract, explains the assumption of risk by the private partner. As an example, in this contract, 41 figures in order to value the quality of service given (from roughness surface through cleanliness or service levels) are laid out.

The periodical measuring system, perfectly defined, establishes several thresholds that are useful for corrections and, if not fulfilled, automatic discounts in the prices paid by the Administration are applied. These discounts can be determined as a percentage of reduction or as a fixed amount.
Sensitive analysis shows that, if these correction methods are applied, can cause a significant effect in the private partner income, thus it is by sure that the availability risk is in its side.

Together with this goals system, a penalties system is established for applying them when breaching of serious thresholds, response times and measurements calendars. This will be applied together with the automatic discounts in prices, but with a punishment aim, legally considered as a fine.
% Inversión Estatal en Infraestructuras de transporte frente al PIB de cada año
(no incluye inversión privada de titularidad estatal)

Fin de las obras de
Barcelona 92, Expo 92, etc

Incorporación a
la Eurozona

Examen de
Maastricht

Crisis actual
Inversiones en los 4 modos de Transporte:
MINISTERIO DE FOMENTO PERIODO 1995-07

EVOLUCIÓN EN € CORRIENTES DE LA INVERSIÓN: PÚBLICA y CONCESIONAL
EL FUTURO: CONSOLIDACIÓN DEL PESO DE LA INVERSIÓN CONCESIONAL EN EL 20%
<table>
<thead>
<tr>
<th></th>
<th>AUTOPISTAS DE PEAJE</th>
<th>PUERTOS</th>
<th>FERROCARRILES (*)</th>
<th>TOTAL PERIODO 2000-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>229,94</td>
<td>291,79</td>
<td>--</td>
<td>521,73</td>
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<tr>
<td>2001</td>
<td>596,95</td>
<td>423,08</td>
<td>--</td>
<td>1.020,03</td>
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<tr>
<td>2002</td>
<td>1.204,74</td>
<td>501,27</td>
<td>--</td>
<td>1.706,01</td>
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<tr>
<td>2003</td>
<td>1.618,12</td>
<td>657,20</td>
<td>--</td>
<td>2.275,32</td>
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<tr>
<td>2004</td>
<td>1.520,10</td>
<td>876,81</td>
<td>156,80</td>
<td>2.553,71</td>
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<tr>
<td>2005</td>
<td>1.812,75</td>
<td>1.048,19</td>
<td>320,50</td>
<td>3.181,44</td>
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<tr>
<td>2006</td>
<td>1.294,45</td>
<td>1.004,75</td>
<td>248,10</td>
<td>2.547,29</td>
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<tr>
<td>2007</td>
<td>453,06</td>
<td>1.048,87</td>
<td>172,70</td>
<td>1.674,63</td>
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<td>2008</td>
<td>473,98</td>
<td>1.096,86</td>
<td>54,00</td>
<td>1.624,83</td>
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<tr>
<td>2009(A)</td>
<td>749,05</td>
<td>1.255,52</td>
<td>--</td>
<td>2.004,56</td>
</tr>
</tbody>
</table>

**TOTALES**

- AUTOPISTAS DE PEAJE: 11.885,47
- PUERTOS: 13.081,99
- FERROCARRILES (*): 952,10
- TOTAL PERIODO 2000-2013: 25.919,55
EXTRAORDINARY INFRASTRUCTURE PLAN (PEI)

GOALS

• NOT TO PUT IN RISK BUDGET ESTABILITY
• BANKABILITY

• Joint challenge for the Government, companies and banks
• Put forward investments to 2010-13 period
• Contract values up to : 17.000 M€ (1,7% GDP)
• Help creating jobs in the short and medium run
• Change in the productive model
EXTRAORDINARY INFRASTRUCTURE PLAN (PEI)

GOALS (2)

• Sustainable Mobility
  ✓ Increase economic, social, geographical and environmental sustainability
  ✓ Reducing costs of transport
  ✓ Railway (70% investment) Road (30% investment)

• a bet for security
  ✓ maintenance
  ✓ Operation
• New investments

✓ Are not a burden on our budget

✓ Do not go through to deficit

✓ will begin to affect public accounting since they are on operation (2014)

✓ This impact will be short and spread over a long period of time

✓ On only public payment will cover investment, maintenance, operation and capital revenue.
• Banks:
  ✓ Assume risks
  ✓ Obtain proper benefits

• Availability risk

• Concession Companies:
  ✓ 20% Equity of initial investment (10% of the contract value)

• Agreement with main national and international financing entities:
  ✓ BEI, ICO, AEB, CECA
PLAN EXTRAORDINARIO DE INFRAESTRUCTURAS

DESARROLLO DEL PLAN

• Selección de actuaciones:
  ✓ Contribución al desarrollo territorial
  ✓ Competitividad de la economía
  ✓ Sostenibilidad del sistema de transporte
  ✓ Proyectos en avanzado estado de tramitación

• Licitación por NUEVOS PLIEGOS
  ✓ Inicio de las licitaciones: segundo semestre de 2010

• Proyectos con diferentes volúmenes de inversión
  ✓ Empresas de diferentes tamaños
  ✓ Más competencia y cooperación entre empresas

• Beneficios de la GESTIÓN PRIVADA y CONTROL PÚBLICO
INVERSIÓN CAP. 6+ EPE's y Plan Extraordinario