




European Experiences in PPP (and some regional countries)




Session on Private Sector Participation

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Main Topics

- Examples of PPP projects in some European countries
- Status of national PPP Programs in these countries
- What sectors can PPP be used - European examples
- What have some European countries done to drive their PPP Programs
- PPP in some regional countries






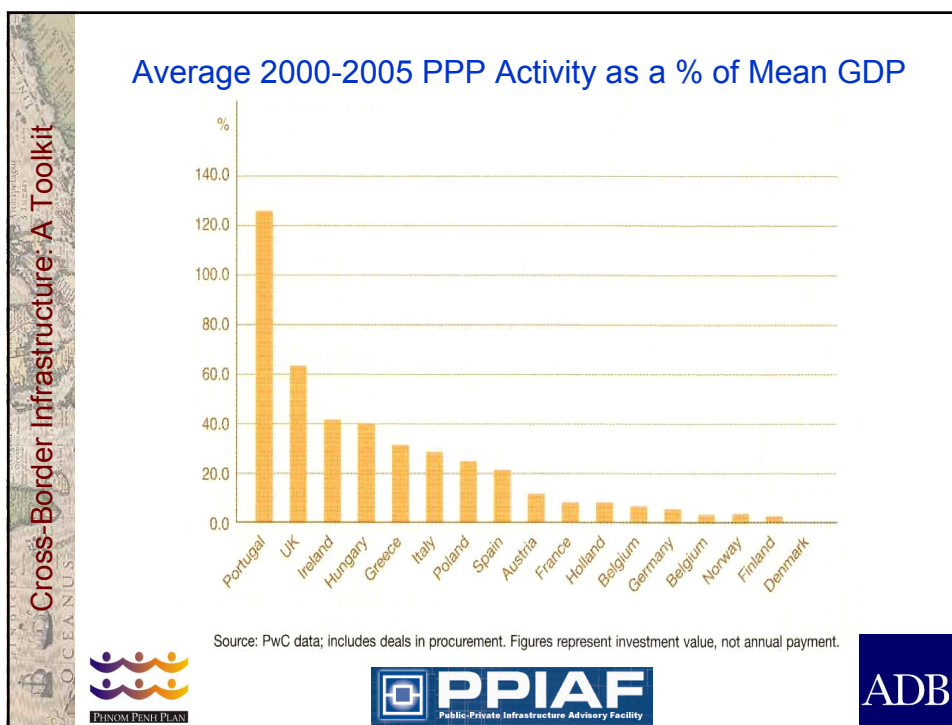
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Cross-Border Infrastructure: A Toolkit

Strong Deal Flow in Parts of Europe

- 2004/05 - more than 150 PPP deals (USD 26 billion) closed in Europe (more than 1/2 of world's total).
- Most active - UK (2/3), Spain (10%) and Portugal (10%)
- UK market reached a level of maturity.
- Other countries are catching up - Portugal had highest as percentage of mean GDP

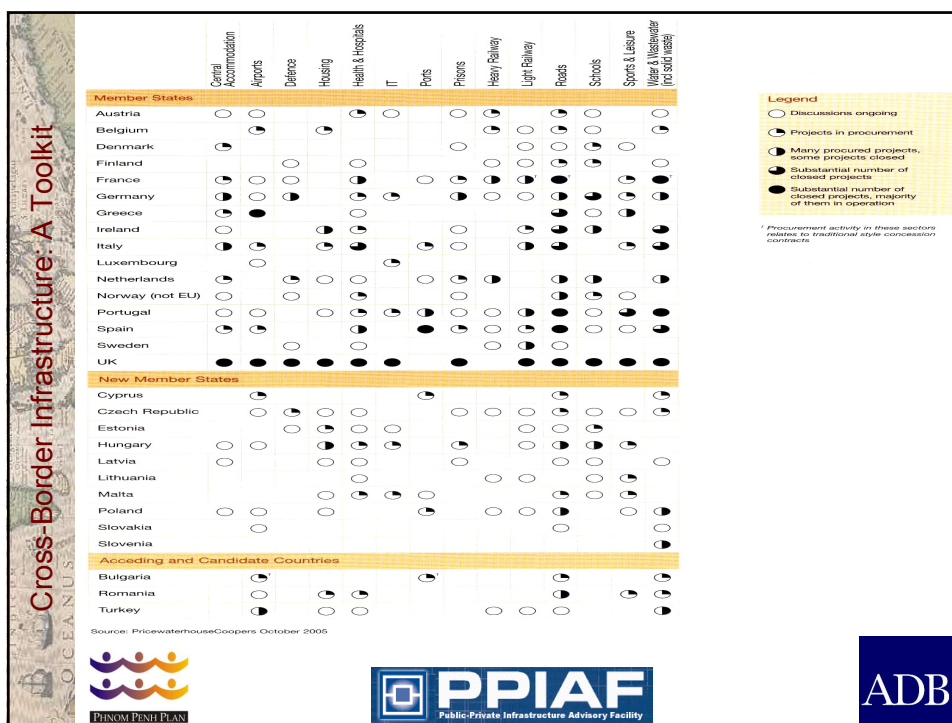






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Session: **Private Sector Participation**
 Topic 4.3. **European and Other Regional Experiences in PPP**

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Cross-Border Infrastructure: A Toolkit


Ireland

- Initial reason - budget surplus but capacity limits
- Transport and water/waste sector are most active.
- In 2005, the government announced expanded role of National Development Finance Agency - setting up of the new centre of expertise.
- Many new projects - courts/prisons, health and education sector.
- By 2008, PPP expected total E 5 billion - E 3.6 billion (public), E 1.3 billion (users)

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Ireland - N4/N6 Motorway




- 1st PPP road project (3rd PPP in Ireland) - DBFO
- 39 km of roads from Dublin to NW Ireland
- Contract awarded in March 2003 to Eurolink
- Consortium, debt-financed by Spanish banks and EIB
- E 320 million project cost, E 235 million debt
- Traffic revenue assumed by Eurolink





Italy

- High level of public debt, so resort to PPP
- 20 PPP transport projects closed, another 30 more in roads and rails.
- Italian taskforce (UFP) established in 1999/2000
 - ➔ provides expertise & assistance to public administrations.
- In 2002, Law 166/2002 was enacted
 - ➔ designed to encourage private sector participation.




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Portugal




- Extensive case of PPP in transport & water/waste sector.
- 20 transport infra projects closed over last 5 years.
- Socialist government was elected in Feb 2005
- Announced a E 25 billion investment program.






Spain

- Long history of PPP - toll roads and railways since 19th century
- 1967-1976 - 15 toll roads (1500km)
- 1972 Concession law governing road PPPS
- 2003 Revised concession law
- Clear legal framework, quick procurement process.
 - ➔ lower bidding costs, shorter timeframe
- More than 22 road projects (E 6 billion) between 1998-2003







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United Kingdom (1)




- 1979 - Margaret Thatcher started privatisation drive - divestments of state assets (sale of 'crown jewels')
- By mid-1990, Public sector net investments stood at low 0.6% of GDP (9% in 1979). Backlog of repairs e.g. schools (USD 15b), hospitals (USD 6b)
- Government started PFI in 1992 to get private funding
- 1997 - Labour Party came into power.
- Government launched PPP program to attract private funds as means to 'catch up'





United Kingdom (2)

- Pioneer in PPP. Formal program
- History - from privatization to competitive tendering to PFI.
- More than 450 deals (E 50 billion) signed between 1999-2004.
- Variety of projects including widening of roads, transportation, military accommodation, tanker aircraft, hospitals and schools.






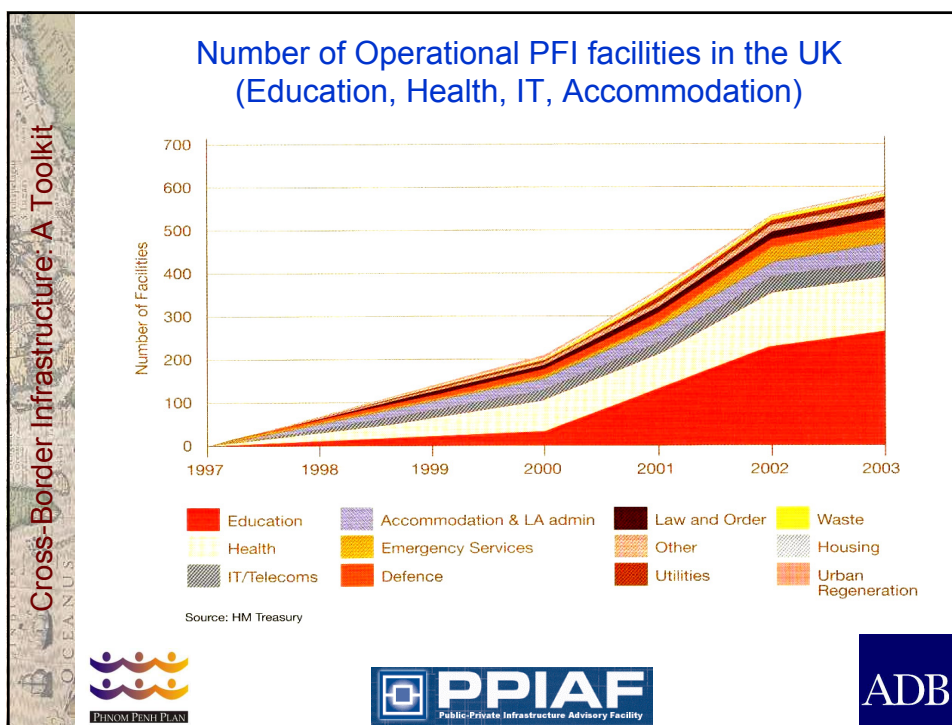
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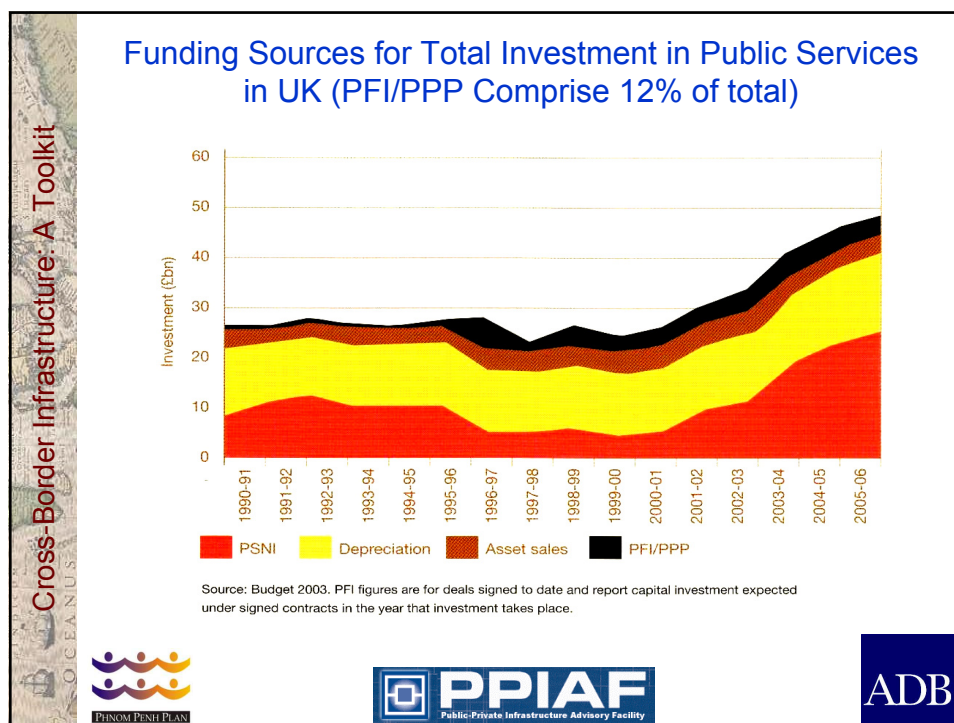
London Underground

- Assets remain with Mayor of London (Ken Livingstone)
- Unique PPP - Private companies (Infracos) do not bear passenger revenue risks
- Payments made by government to Infracos, based on:
 - ➔ **Availability** - measure of reliability of trains, equipment, signaling, tracks, etc
 - ➔ **Capability** - measure of passenger travel time
 - ➔ **Ambience** - measure of conditions and cleanliness of trains and stations



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France

- PPP edict passed in December 2004
- Projects in health and prison sectors (approximately E 1 billion)
- Government estimated more than E 19 billion of investment could be allocated to PPP Projects in next 3 years.
- See slide on Millau Viaduct

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Millau Viaduct

- 2.5 km long, 270m above river, suspension bridge across Tarn River.
- One of the longest and highest bridges in the world.
- Designed by Lord Norman Foster.
- E 394 million PPP project, DBFO
- Started construction in 2001, inaugurated in December 2004.
- 75 year concession, demand risk assumed by private operator, Eiffage.


PRINCE PINK PLAN

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Germany



- Widespread acceptance of PPP
- Backlog of capital expenditure and budget constraints gave rise to demand for PPP.
- Since 2003, 18 PPP projects have been completed, in schools, government buildings as well as roads.
- The A-model roads projects
 - ➔ Upfront grant and share of toll collected.
- Germany PPP market may become one of the biggest in Europe.

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The Federal PPP Task Force was established within the German Transport, Construction and Housing Ministry (Bundesministerium für Verkehr, Bauen und Wohnen) in July 2004. It is responsible for supporting pilot projects, coordinating work and performing public relations and knowledge transfer activities at the federal-level.


PPP projects are selected following expert recommendations and in agreement with the Steering Committee on the basis of a checklist and set criteria. The Steering Committee, established in 2002 is formed of representatives from the Federal

Government, Federal States and municipalities and from the construction and banking sectors. The Committee, under the Chairmanship of the Parliamentary State Secretary of the Federal Transport, Construction and Housing Ministry, aims to promote improvements in the overall PPP environment and the creation of a network of expertise.

The centres of excellence in the Federal states are actively promoting PPPs. Federal States are primarily involved in prison and administrative accommodation projects.




Source: Bundesministerium für Verkehr, Bau- und Wohnungswesen

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Greece

- September 2005 - PPP Bill passed by Greek Parliament
- Establishes a PPP Task Force within Ministry of Economy and Finance, set out PPP tendering and negotiation procedures.
- 3 large-scale transport PPP projects completed, another 7 by this year.
- Thessaloniki submerged tunnel PPP will cost E 370 million.






Greece - Athens International Airport

- E 2.6 B project, supported by the European Community
- 30 year BOOT, financed as follows:
 - EU grant (E 250 m)
 - EIB loan (E 997 m)
 - Hellenic Republic grant (E 150 m)
 - Share capital (E 134 m)
 - Remaining (debt - bonds)
- Main contractor - German consortium
- Airport opened in March 2001 after 51 months of construction







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Netherlands




- PPP Knowledge Centre established within MOF in 1999, staffed by experts from government and private sector.
- Focus moving from transport to education and healthcare.
- Five PPP deals closed: two roads, one rail, one waste water and one school refurbishment.
- PPP to be considered for all government accommodation more than E 25 m.






Netherlands - N31 Motorway

- E 110m PPP to upgrade single lane to dual - DBFM
- PPP structure was chosen by government to 'test the waters' - 15 year concession
- Winning bid by Dutch consortium
- Winning bid was 30% below PSC (public sector comparator), due to maintenance efficiencies and financial savings
- Success of N31 PPP gave confidence to government - now all transport infra projects over E 112.5 m must consider PPP models.







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Australia




- Each state has its own PPP program - Victoria and NSW being most advanced
- National Council for PPP was set up in mid-2004 to coordinate PPP activities in the states
- Many PPP deals completed, all sectors
- Some examples - EastLink toll-road (AU 2.5b), Victoria Women's Hosp (AU 350m), Brisbane Southbank Education Precinct (AU 250m), Melbourne Spencer Street Redevelopment (AU 700m)






Indonesia

- Setting up the P3 Central Unit in BAPPENAS (MOF), World Bank-financed project
- Changes to legislation to facilitate PPP and to tap the pension/savings funds
- Lots of capacity-building exercises at central and local government levels
- International PPP conference organised for July/August 2006 in Jakarta to 'showcase' viable projects by local governments. Business-matching with private investors.




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Singapore




- Introduction of PPP is for VFM, not to accelerate infrastructure development
- MOF created the PPP Advisory Council.
- Published guidelines in October 2004. All infra project more than S 50m should be assessed for PPP
- 2 projects - Hyflux Desalination Plant, and NEWater Ulu Pandan
- Others in pipeline - 5th Incinerator, Sports, NUS accommodation, fighter training jets, new campus for Institute of Technical Education

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Summary of PPP Institutional Development



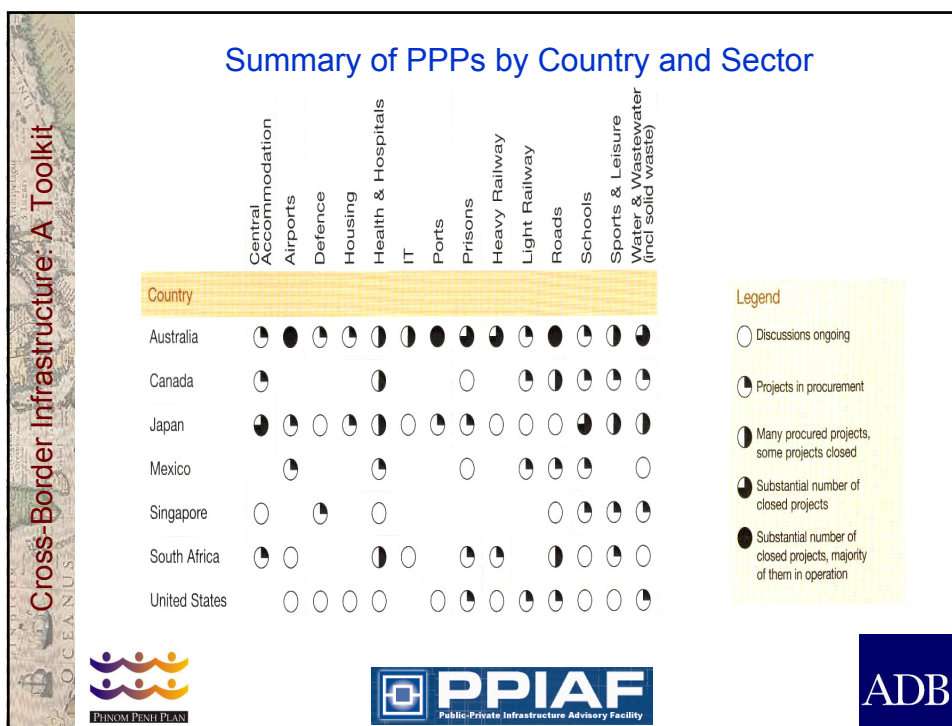
(Setting Up Specialised PPP Units and PPP Laws)

Key

- ▲ Need for PPP unit identified and some action taken (or only a regional PPP unit existing)
- ▲▲ PPP unit in progress (or existing but in a purely consultative capacity)
- ▲▲▲ PPP unit existing (actively involved in PPP promotion)
- Legislation being proposed
- Comprehensive legislation being drafted / some sector specific legislation in place
- Comprehensive legislation in place

Member States	PPP Unit	PPP Law	New Member States	PPP Unit	PPP Law
Austria	▲▲▲	-	Cyprus	▲▲	-
Belgium	▲	■	Czech Republic	▲▲	■
Denmark	▲▲	-	Estonia	-	■
Finland	-	■	Hungary	▲▲	■
France	▲▲	■	Latvia	▲▲	■
Germany	▲▲	-	Lithuania	▲▲	■
Greece	▲	■	Malta	▲▲	-
Ireland	▲▲▲	■	Poland	▲▲	■
Italy	▲▲	■	Slovakia	-	-
Luxembourg	-	-	Slovenia	▲	■
Netherlands	▲▲▲	-			
Norway (not EU)	▲	-	Acceding and Candidate Countries		
Portugal	▲▲	■	Bulgaria	▲	■
Spain	-	■	Romania	▲▲	■
Sweden	-	-	Turkey	▲	■
UK	▲▲▲	-			

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Trans-European Network (TEN) (EU multi-modal transport network)

- Proposed investment in 75,000 km of roads, 78,000 km of rails, 330 airports, 270 seaports & 210 inland ports -
- In 1996, it is estimated E 400 billion to be required by 2010 for the TEN. Fourteen priority projects totaling E 125 billion
- By 2003, little progress has been made & the investment needs have increased
- At EU level, it is recognised that PPP may be a solution to this infra development
- In October 2005, the Presidency of the EU (UK then) hosted an EU Transport PPP Summit to take this PPP model further as a viable solution

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Example of Cross Border Infra (Amsterdam-Belgian HSRL Project)




- Part of the Paris-Cologne-Brussels-Amsterdam-London HSRL
- E 4.5 billion, 100 km HSRL connects Amsterdam & Rotterdam to Belgium border
- Four sets of contract, two structured as PPP models
- PPP portion was E 1.32 billion, DBFM
- Payment is on availability performance (government assumes traffic risks)
- Expected cost-savings of 5% compared to traditional methods. Operational October 2006

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Conclusion

- Many countries have used PPP as a viable method for their infra development and in many sectors
- Each have their own methods, and with differing objectives (Ireland, Singapore, UK)
- Many countries have centralised their pool of expertise through a National PPP unit.
- PPP legislation is key to the viability of using PPP for infra development

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