



Financing Infrastructure

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- ▶ Many names, but all with the same objective ..

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- ▶ Is there still a future ..

Egis total solutions for Infrastructure



meets the technical, economic and financial challenges of major infrastructure projects for its clients.

Its strength is an international combination of skills that creates centres of excellence of worldwide reputation in the areas of:

- Roads and Highways
- Buildings
- Urban transport and railways
- Road operation
- Water, ports and waterways
- Airports and aviation
- Urban development
- Industry, Mines and Energy
- Environment, institutional consultancy and others

Egis Organisation

Iosis Partenaires
(Egis & Iosis management staff)

25%



**Caisse des Dépôts
et Consignations**

75%

- Total consolidated balance: €255 billion
- Staff Number: 73 500
- AAA rated financial organisation

Egis SA

Engineering Entities

- Egis France
- Egis International & local subsidiaries
- Egis Rail
- Egis Structures & Environnement
- Egis Avia
- Other engineering subsidiaries

Egis Projects
Developer of Infrastructure and Services

Egis Investment Partners

13 Concession
Investments Worldwide

Egis Road Operation

22 Operating Subsidiaries
Worldwide

Road Driver Services
Easytrip services
Road charging projects

Local offices in: Dublin, Manila, Sydney, Warsaw

Egis Projects business and key figures

4 complementary lines of business

- PPP / BOT / Concession development and implementation
- Equipment turnkey contractor & integrator
- Operation and maintenance of infrastructure
- Development of advanced services for road users

and with its sister companies:

- Engineering and project management

Egis Projects key figures

€116 million
2010 Turnover
(IAS/IFRS standards)

22 projects
closed for a total
value of €12 billion

22 operating
subsidiaries
representing a total
staff of **5250 people**

1.1 million
ETC subscribers

1840 km motorway
under contract

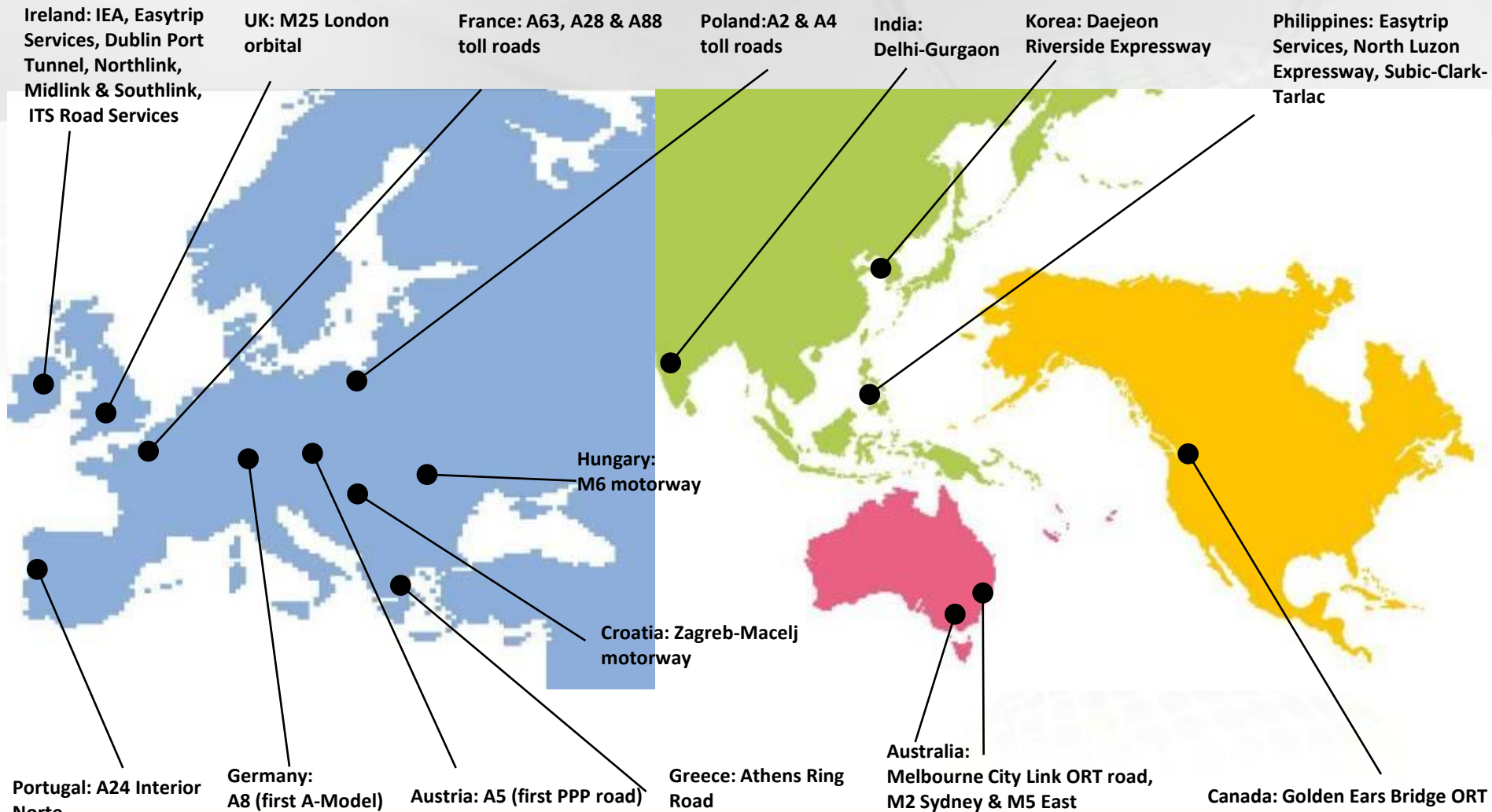
1.5 million daily toll
transactions

€1.2 billion yearly toll
revenue collected

13 million yearly airport
passengers

Learn more on www.egis-projects.com

Egis Projects all over the world



Project Finance, an evolving process

Project Finance, an evolving process

- ▶ An old concept, regenerated in the late 1980s ..
- ▶ Three statements:
 - Project finance exists because we have powerful computers
 - Project finance is only for the rich
 - Project finance is not about finance but about performance
- ▶ Concessions have existed for many years (water concessions in Paris)
 - Motorway network France
 - Turkey – looking for other finance sources: BOOT concept Power Plants
 - UK: privatisation under Thatcher : Dartford Crossing – innovation
 - PFI programme: the consultants (with focus on finance and legal)
 - A real boost in the 2000s
 - No more money and what now

Infrastructure Revenue Models

Infrastructure Revenue Models

- ▶ Revenue sustainability for different types of infrastructure ..

User pay principles

- ▶ **Toll Roads:** multi payments, but single source; high investments
- ▶ **Airports:** multi payment, multi sources; relatively high investments
- ▶ **Ports:** often single source; high investments due to adjacent infrastructure
- ▶ **Energy:** often single client (“take or pay”), sizable invest

- ▶ **Social infrastructure:** single client (availability), often subsidized

- ▶ FOCUS on roads: user paid and otherwise

Project Finance Solutions

Project Finance Solutions – risk sharing

- ▶ Many names, but all with the same objective ... get leveraged finance
- ▶ BOOT, BOT, BOO, PFI, PPP, “concessions”, A-Models, F-Models, SCUT, PPS
- ▶ Concepts toll concessions, shadow toll and availability projects
- ▶ Concession periods generally between 25 and 30 years, but in France there are concession of more than 60 years
- ▶ Key Project Risks: traffic, construction, regular operation & maintenance, heavy maintenance; country risk, economic risk (inflation, interest), change in law
- ▶ Until recently tendency was a focus on Performance and less on traffic risk

Project Finance Solutions

Project Finance Solutions – Finance structures

- ▶ Non-(or limited) recourse: A bit of equity plus a lot of debt with ratios varying from project to project:
 - if traffic risk: 25/75 (Australia) or 20/80 (Europe),
 - If availability: 10/90 with in some extreme cases with the original sponsors injecting very little cash

- ▶ Debt:
 - straight bank debt, short term (mini- perm) versus long term
 - Bond financing

- ▶ Equity:
 - Share capital – industrial sponsors/investors/stock market
 - Shareholder loans, mezzanine

Experiences (1/2)

Experiences

- ▶ **UK:** has been very successful, but is reconsidering seriously the aims
- ▶ **France:** works generally although requirements in concession contract do raise some questions outside France
- ▶ **Australia:** developed rapidly into a mature market, but seen probably the most project failures
- ▶ **Germany:** endless debates about rational resulting in a stop-and-go process
- ▶ **Netherlands:** When most government start to rethink, a PPP program is launched

Experiences (2/2)

Experiences

- ▶ **Spain:** introduced a tolling model with an implicit revenue share/subsidy
- ▶ **Italy:** many attempts but few successes (if any)
- ▶ **Ireland:** implemented a very effective scheme of toll PPPs
- ▶ **Hungary:** after initial project failures, was able to efficiently structure projects
- ▶ **Philippines:** is trying to attract foreign investors, but has still difficulties in structuring PPP projects and stick to timetables
- ▶ **India:** PPP projects are just glorified construction projects
- ▶ **USA:** many attempts with a few successes

Current Market Status

European Governments are more cautious:

- ▶ “Off-balance” for the State are not really off-balance
- ▶ No flexibility in payments to the private sector: renegotiate contracts?
- ▶ But the introduction of Road Pricing (initially HGV traffic) could well change the situation with a possible return to project finance whereby the user pays?

“Developing” countries are pursuing project finance solutions

- ▶ Brazil (mature)
- ▶ India, Philippines (great willingness, but few successes yet)
- ▶ Vietnam, Indonesia African countries (upcoming opportunities?)

Conclusions

Conclusion

- ▶ Is there still a future ..
- ▶ Probably yes, but focus should be on:
 - really necessary projects that countries can afford and
 - the aim should be ensuring long term efficiency;

THANK YOU