

**PRIVATE FINANCE INITIATIVES IN TRANSPORT
INFRASTRUCTURES**

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30th October 2007

THE STRATEGIC PLAN FOR INFRASTRUCTURE

The Strategic Plan for Infrastructure and Transport (PEIT – in its Spanish initials) is the instrument by which the Spanish Government provides a framework for its medium-term activity and assumes public responsibility for the development of its policies.

TRANSPORT INFRASTRUCTURE NETWORKS IN SPAIN

I. STATE ROAD NETWORK

- 25,000 km (8,700 km high capacity)
- Radial nature of Network
- Persistent accessibility deficit

II. STATE GENERAL INTEREST RAIL NETWORK

- Notable differences in standards (quality and safety) between different lines.
- Existence of sections and lines with light traffic
- Width difference with respect to rest of Europe

FINANCIAL ESTIMATES FOR PEIT ACTIVITIES 2005-2020

<i>ACTIVITY</i>	<i>AMOUNT € MILLIONS</i>	<i>% TOTAL INVESTMENT</i>
Railroads	108,760	43.70%
Roads	62,785	25.23%
Ports	23,460	9.43%
Airports	15,700	6.31%
Intermodal Transport	3,620	1.45%
Urban Transport	32,527	13.07%
R&D&I	2,040	0.82%
Total	248,892	100.00%

PEIT STRATEGY FOR SYSTEM FINANCING

- ❑ Maintain investment stability, in line with budget stability objective.
- ❑ Budget financing to represent approximately 60% of overall plan investment.
- ❑ Direct and deferred investment to meet development timescale objectives.
- ❑ Increase in private sector participation through PPP formulae.

SOURCE OF FUNDS FOR FINANCING PEIT OVERLAND TRANSPORT INFRASTRUCTURE

	PEIT Investment	Non-Budget Investment	Total Non- Budget Investment
Roads	€62,785 M	26%	€16,324 M
Railroads	€108,760 M	18.6 %	€20,229 M
		<u>Total</u>	<u>€36,553 M</u>

The Public Overland Transport Infrastructure Company (SEITT)

- SEITT is a Commercial State Company whose objective is to promote and develop overland transport infrastructure throughout the state.
- Created by Council of Ministers Resolution 29 July 2005 and registered 30 November 2005
- Its legal status is that of Limited Company and it is a wholly owned State Company belonging to The Ministry of the Economy and Taxation.
- It is managed under the auspices of The Ministry of Fomento (Spanish ministry with responsibility for public works)
- Both ministries have equal representation on the Board of Directors.
- It is presided over by the General Secretary of Infrastructure

SEITT ROLE IN PRIVATE FINANCING OF OVERLAND INFRASTRUCTURE

I. SEITT OBJECTIVE

“Planning, construction, maintenance, exploitation and promotion of state-owned transport infrastructure, under the auspices of the General Administration of the State and within the legal framework of established activity mandates.”.

II. ACTIVITY MANDATE

- To organise cooperation agreements with Public Administrations.
- To participate in State and private companies in the exercise of its activities, as a joint capital investor or by other means.

PPPs IN GROUND TRANSPORTATION. SPANISH HISTORICAL BACKGROUND

- I. ROADS. Concession model
 - Toll highways
 - Shadow toll dual carriageway: Autonomous Communities (CC.AA.)
 - Reform of current roads and payment by shadow toll or by possibility of usage: First generation dual carriageway, M-30, some provincial governments.

PPPs IN GROUND TRANSPORTATION (II). SPANISH HISTORICAL BACKGROUND

- II. RAILWAYS. Construction/exploitation concessions
 - Urban or metropolitan: underground and tramways
 - International connection Figueras-Perpiñán
- III. INTERCHANGE STATIONS. Concessions, mixed/public sector companies
 - Metropolitan Interchange stations (local lines, underground, interurban bus, urban bus)
 - Bus stations

CURRENT SITUATION AND TRENDS IN SPAIN

I. ROADS

- Drive of exploitation value and introduction of control indicators
- Development of PPP schemes with close links among the partners
- Introduction of new technologies for payment of fares and tolls

II. RAILWAYS – INTERCHANGE STATIONS

- Underground lines, tramway, industrial or port branch lines.
Infrastructure/exploitation separation
- Promotion of new public transport infrastructures: more comfort, less time spending

PUBLIC ENTITES MANAGING INVESTMENTS UNDER PPP ARRANGEMENTS IN SPAIN

I. ROADS

- Central Government or Autonomous Communities
- Public Sector Commercial Corporation: SEITT, GISA, Roads Company of Castilla-La Mancha

II. RAILWAYS – INTERCHANGE STATIONS

- FFCC (RAILWAYS) : State
- Underground and tramways: Regional authority or region/municipal-own public companies: ATM, MINTRA, Railways of Andalusia, CMT, IFERCAT..

COLLABORATION FORMULAE WITH PRIVATE SECTOR BEING STUDIED BY SEITT

- I. Conventional PPPs
- II. Non-conventional or Institutional PPPs

SEITT IN CONVENTIONAL PPPs

- Support in the decision-taking process for PPPs promotion and interaction with the market of investors and private developers of infrastructures.
- Support to design of conventional PPPs.
- Participation and support in managing public tender processes and in the valuation/selection process.
- Reception bureau for analysing private initiatives.
- Co-investment and management of public funds to participate in concessionary companies.

SEITT AND INSTITUTIONAL PPPs (I)

- The Mixed Economy Corporations (SEM) mean an alternative to conventional PPPs that give value:
 - Not for saving financial costs
 - Not only for generating efficiency
 - But for control of management reasons
 - And for risk profile reasons
- The SEM do not absolutely guarantee deconsolidation. At least must comply with:
 - Institutional unity
 - Market oriented

SEITT AND INSTITUTIONAL PPPs (II)

- Mixed Economy Corporations (SEM)
- Corporations 100% public sector

Note: The corporations wholly participated by SEITT are ruled out, preventing projects carried out from public deficit

SEITT AND INSTITUTIONAL PPPs (III)

- There are several possible structures that can reinforce in different degrees the principle of institutional unity (depending on the roles assumed by the private investor partner)
 1. Private investor execute the public work and manage it through each subcontract with SEM
 2. SEM contracts the public work to independent third parties, but subcontract to a private investor the whole maintenance and operation (Calle 30)
 3. SEM contracts the public work to a private investor, but performs by itself maintenance and operation
 4. SEM contracts the public work with third parties, and performs by itself the maintenance and operation (Tenerife Underground)

Note: 1 and 2 should be ruled out (they veil concession and become spurious instrument of accounting) 4 guarantees institutional unity but gets less commercial acceptability.

SEITT AND INSTITUTIONAL PPPs (IV)

- Necessity of a general framework (agreement framework) fixing the game rules, eliminating uncertainties and giving transparency and clarity as to the non-existence of guarantees or objectives of “accounting design”.

POTENTIAL ACTIVITIES FOR DEVELOPMENT OF INSTITUTIONAL PPP (I)

Requirements to be met by each activity:

- ✓ Activity identifiable in a precise way
- ✓ Clear market orientation (Non-budget revenue)
- ✓ Continuity of project type: Replicable Models

POTENTIAL ACTIVITIES FOR DEVELOPMENT OF INSTITUTIONAL PPP (II)

Activities being studied:

- ✓ New bus platforms, HOV and dedicated lanes
- ✓ Projects for rail access to ports and logistics centres
- ✓ Local Rail Projects or special infrastructure for goods transportation