PPP for urban transportation and light rail projects:

*planning, construction and operation*
PPP is NOT something new: most streetcar systems in 1890-1910 were built and operated by private concessionaires, often linked to electricity, rolling-stock manufacturers or real-estate promoters.

In Paris, the Metro was built by the city for the tunnel itself tracks, energy, signalling, rolling-stock, etc. by the operator, a Belgian entrepreneur...
PPP for urban transportation and light rail projects: planning, construction and operation

- As public transportation became less and less a profit-making activity, financing of operation and renewal was widely taken over by the local authorities. The US are paradoxically an extreme example of this evolution.
- France in the post-WW II era had a mixed scene, with a few state or city-owned agencies and many private operators contracted by the local authorities.
PPP for urban transportation and light rail projects: planning, construction and operation

- In France, the downwards trend of urban transit has been reversed since the 70s by more involvement of the central government (mainly Paris area) and of the local authorities.

- Several cities have set up semi-public companies ("société d’économie mixte", SEM) to operate their transit system. In a SEM, the local authority is the majority shareholder, with minority private shareholders. SEM is thus a kind of private-public partnership which enables a more business-like type of management than a traditional public agency.
• From the mid 70s, Transdev, as part of the state-owned financial institution Caisse des Dépôts, has been the leading partner of urban transit – SEMs in France (even if it provides also transit solutions through 100 % owned subsidiaries).

• Typically, Transdev has a 15 % to 45 % stake and manages the undertaking on behalf of the authority and provides management staff as well as technical and administrative support.

• The main SEMs which have chosen Transdev as partner are CTS (Strasbourg), SEMITAN (Nantes), etc... All of them operate state-of-the-art light rail systems opened from 1985 (Nantes) to 2006.
• The success of the SEM concept has prompted its extension to the Italian city of Genoa: in 2005, Transdev acquired a 41% stake of AMT, the local municipal company in charge of urban transit (buses, trolleybuses, light metros, funiculars) with 2200 employees and €150 M revenue.

• Transdev provides high-level management and technical support to AMT.

• This is the first time a major Italian city entrusts the management of its transit system to a private operator via an open tender access.
PPP for urban transportation and light rail projects: planning, construction and operation

- SEMs are not confined to operation and can act as investors in major-scale projects such as LRTs on behalf of the local authority. Such a scheme has been adopted for the STRASBOURG light rail.

Communauté Urbaine de Strasbourg (local authority)

Shareholders
- Local authorities: 80%
- CDC + Transdev: 20%

Cté des Transports Strasbourg CTS (SEM)
- Operator + Concessionnaire

Concession
Contrat

Subsidies
€ 189 €

Loans
M 69 €
M 103 €

Equity
M 3 €

Banks:
- EIB
- DEXIA

PW Contractors
Systems and rolling-stock providers

Total investment cost: € 361 M
• In the UK, a different scheme of PPP has been applied for construction and operation of the Nottingham light rail.

• Transdev created Nottingham Tram Consortium (NTC), a 50/50 joint venture with the municipally-owned local bus operator Nottingham City Transport, to operate the new system.

• Transdev is also a key member of the concession partnership that was organized as part of the UK government’s Private Finance Initiative (PFI) which encourages private-sector financing of public infrastructure.
PPP for urban transportation and light rail projects:
planning, construction and operation

NOTTINGHAM TRAM LEGAL STRUCTURE

PROMOTERS:
City + County Councils

INNISFREE
CDC
CARILLION
BOMBARDIER
TRANSDEV
NCT

ARROW HOLDINGS

CARILLION
BOMBARDIER

CONSTRUCTION:
TURNKEY Consortium

PRE-OPERATIONS:
NTC

OPERATIONS:
NTC

Rolling stock maintenance:
BOMBARDIER

BANK
ABN AMRO
Dres KB
BGB

TRANSDEV
NCT
• The ARROW consortium is the investor and operator for 30 years (2000–2030)

• Construction:
  – Turnkey contract (fixed)
  – Financing from Bank loans + equity
  – Total cost: GBP 180 M (fixed)

• Operations:
  – Revenue: availability fees from Promoters (performance related) + Passengers Fares
  – Outlay: Interest + capital (fixed) + operations & maintenance contracts (performance related).
PPP in ongoing LRT schemes in France

- **Reims:**
  - A 30-year contract to design, build and operate LRT as well as the existing bus system has been awarded in July 2006 by the City of Reims to the MARS consortium, after open tender.
  - MARS consortium: Alstom (17%), Transdev (17%), Bouygues (17%), SNC Lavalin (5%), Banks CDC, CE, Ixis (44%).
  - Total investment cost: €282 M.
  - Fixed annual fee from City to MARS covering investment + operation, with penalties related to performance indicators.
PPP in ongoing LRT schemes in France

- **La Réunion:**
  - Final decision in August 2006 from the regional authority to build an interurban “tram-train” system.
  - 1st stage: 40 km, Including major tunnel and viaduct works; estimated cost: € 1250 M.
  - Due to the investment level, decision to open a tender process for a PPP scheme.
Some final considerations....

- PPP offer a large range of solutions, from semi-public companies devoted to operation to long-term investment schemes enabling to alleviate the financial debts of the local authorities in charge of transit.
- Each type of partnership with a local authority has to be tailored to local conditions, national legislation and transport authority requirements. There is no magical formula: PPP has to rely on experience and trust, not only on strict contractual issues.
Some final considerations....

- PPP gives the cities/authorities an enhanced visibility on their future finances, as investment through PPP is spread over a long time by fixed annual contributions.
- PPP means a risks transfer from the authority to the investor, who has to include it in its margin calculation.
... / ... Some final considerations....

- Risks sharing is probably the major issue of any PPP: while construction costs (at least in a surface-only LRT) or maintenance costs should not be too contentious, what about passengers revenue on a lengthy period, labor issues, run time achievement...?

- Finally, the operations issues are not be underestimated: in order to secure a smooth execution of the contract during the concession period, it is most suitable to have a strong, professional operator playing a key role within the PPP consortium.