



The role of PPP in planning and implementing a national transport strategy – the German experience

- PPP Practitioner's-Workshop of the EIPA -

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Content

- Strategy for Transport Infrastructure
- Model Schemes and Projects
- Conclusions and Perspectives
- Contact
- (Some A-Model Profiles)

Challenges for Transport Infrastructure

- Evolution of Traffic
 - The long-term forecast of traffic growth has still begun.
 - Forecast for heavy goods in BVWP up to 2015: overall 608 bn. tkm
 - Actual performance in 2007: overall 645 bn. tkm
 - The forecast has already been overtopped at 6%; even 8 years earlier measured to the planned year of BVWP (2015).
 - The long-term forecast for heavy goods traffic til 2025 expects a growth of heavy goods traffic at further 80% compared to the base year 2004.
 - The net capacity for handling up the goods traffic is an essential question mark for the business location of germany.
 - The growth cannot be handled with available capacities.
 - An accelerated realisation of the prior needs is stringently necessary.

Challenges for Transport Infrastructure

- Financial needs for transport infrastructure
 - Pällmann-Kommission (1998): annual financial needs app. € 12,5 bn.
 - Volume of investments in the transport carrier railways, roads and waterways in 2008: € 9,2 bn.
 - The mid-term financial plan involves no uprating of the investment volumes
 - The HGV-toll is under a ceiling in the federal budget, thus the rates for financing from taxes are declining with increasing toll refunds
- Current evolution of requirements
 - Maintenance is coming more to the fore
 - Growing pressure from economic alliances
 - Needs to link the Hinterland to german seaports

Transport Policy of the BMVBS

- Planning process in transport policy
 - Disposition of a national transport plan (BVWP) to specify the needs and to divide them by priority
 - Mid-term investment strategies are fixed in five-year plans
investment framework gives certainty for planning and investments up to 2010
 - Declaration of annual financial needs for the disposition of the budgets
 - Important strategy plans for the transport sector are picking up PPP-issues explicitly
 - Recommendations of the Pällmann-Kommission (1998)
 - Master plan for good traffics and logistics (draft 2008)
 - Target of federal government:
achieving a part of 15% of PPP on the whole investments of the federal budget
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Financing of PPP-Projects

- Financing of PPP in federal budget
 - Commitment authorities (VE's) for PPP-projects decrease the free disposable quantity in roads budget for following years
 - Whereas in A-Models the quality is determined during the transfer period and the financing is secured by the commitment authorities, it is not the same in conventional schemes
 - The structural underfinanced budget is getting worse by a-models, so that the economic variant could not be chosen in case of the almost constant ceiling.
- The PPP-strategy of transport policy currently concentrates on project level
 - PPP for realization for several projects (in a more economic way)
 - PPP is not established as an instrument for a sustainable modernization of administrations

Financing adjusted to the needs in infrastructure

- To come up to the responsibility for a transport infrastructure with financing adjusted to the needs the policy requires solutions in treasury politics
 - Proposal of the Pällmann-Kommission:
change of the system from tax financing to user financing should guarantee the good quality and quantity of the supplied transport infrastructure.
 - Conclusion of the Pällmann-Kommission:
PPP as a variant for procurement cannot display its full economic advantages in the total system until this change is implemented.
 - Current proposals for financing transport infrastructure from several alliances and scholarship are based upon these principles, even though the implementation in detail is favoured in different ways.

Political Business Foundation for PPP-Projects

- The success and the acceptance of PPP-projects is highly influenced by the fact, that there is a clear political statement over the whole lifetime of the projects
 - PPP today is often still noticed as a compromise to solve financial problems. This leads to an interior distance to the project
 - PPP should not be seen as a „stand-alone“-solution. PPP offers a positive share to solutions when it is understood as part of an combined conceptional approach of PPP and conventional procurement
 - A clear and positive position of decision makers to the projects and participants after project start is also necessary
 - This helps to reduce the participant's reservation against PPP

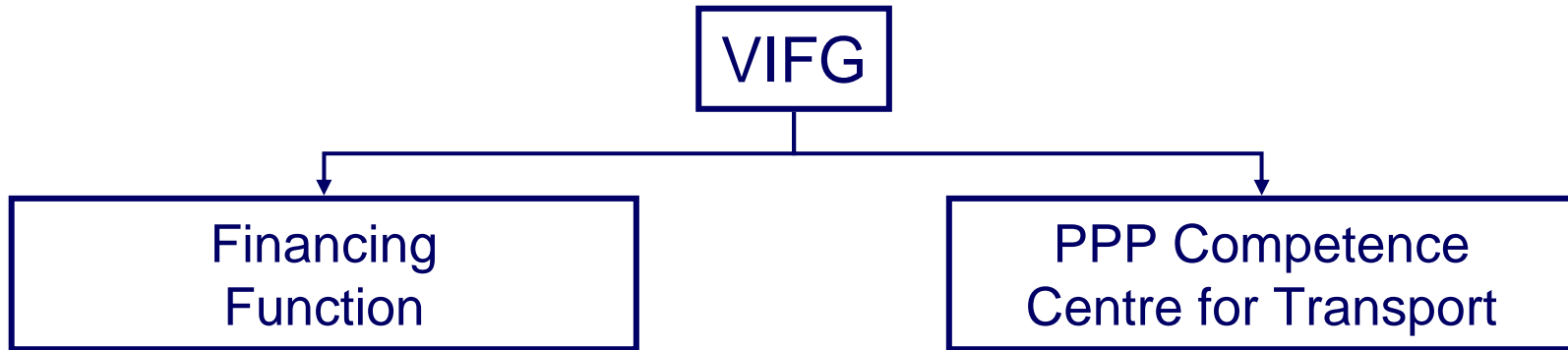
Competence Centres in PPP

- Institutions in germany
 - Federal level: Task Force in Ministry of Transport, VIFG, GEBB, the foundation of the PD is in preparation
 - Lander level: Task Forces / Competence Centres linked to federal level
 - Support from private alliances and scholarship

- The VIFG was funded in 2003 following the recommendations of the Pällmann-Kommission

- Government objectives:
 - Point out the connection between charging the users and using the charges
 - Finance programmes for different transportation infrastructures (road, rail, waterways)
 - Relief of certain public sector tasks

Organizational Structure



- Provision of investment capital
- Financial management
- Adjustments between different transportation infrastructures
- ...
- Financial compensation for federal states in case of the road tax refunds

- Provision of support to the project executing organization
- F- and A-model projects
- Development of new private operator programs
- ...

Competence Centre „PPP in the Transportation Sector“

- Supporting the project executing organisations that are realising PPP-projects in transportation sector, particularly in F-Model and A-Model projects.
 - In addition the VIFG is supporting two chosen municipal projects since 2007
- Bundling of existing investigations of PPP for the transport sector
- Evaluation of international experiences and analysis of the transferability to german cases
- Analysis of efficiency and feasibility of existing and new developed PPP-models for PPP-measures in transportation sector
- Concentration and Interpretation of past ideas of different models plus pointing out appropriate models for future developments in BOT

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PPP-Performance in Transport Infrastructure

- Performance in Transport Infrastructure
 - There are no well accepted guidelines especially for the transport sector so far
 - The market still awaits a growing deal flow of adequate projects
- Goals of models in roads that are implemented so far
 - Promotion of innovations
 - Generation of benefits in efficiency
 - Accelerated realization of large-scale projects
- PPP for railway and waterway
 - International projects have shown that the success mainly depends on the chosen PPP-strategy and the institutional environment
 - This institutional environment still has to be developed in germany.

The A-Model programme

- The main reason to start the A-Model programme was the expansion of the road network;
it was not because of the expected effectiveness and efficiency
- Under the A-Model a private concessionaire expands an existing highway (from 4 lanes to 6 lanes)
- The concessionaire is remunerated with two elements:
 - Kick-off financing (expected: max. 50% of investment)
 - Transfer of the HGV-toll that accrues on the specific section
- The tasks of the concessionaire are the (D)BFOM of the road
- The avg. A-Model road will be 50-70 km
- The contract duration will be 30 years

A-Model – Conclusion and Perspectives

- The first three A-Models have been awarded recently and can be seen as a success
- One further A-Model is in tender with estimated closing in 2008
- There is a lot of interest in the German PPP market, especially for A-Models; the private sector is expecting new projects
- The Value for Money is positive
- The first experiences with the A-Model on both sides of the contract are positive as well
- The evaluation of the A-Model has started and provides an interim report
- Further projects are in preparation, but more details and the start of tender are not public yet

F-Model – Conclusion and Perspectives

- Status of the F-Model:
 - The law upon which the F-Model is based (FStrPrivFinG) was adopted in 1994 and reformed in 2002 and 2005
 - 2 projects have been implemented successfully so far, a 3rd project was tendered but not awarded
 - there seems to be some resistance by users towards paying a toll, even if this means that the newly available infrastructure is a major improvement -> The actual traffic data lags behind the expectations
 - The selection of potential projects was not optimal
 - Key Results of the evaluation report:
 - The F-Model is better than its reputation
 - **The F-Model law does not specify many details for the business model. Therefore, it leaves room for the flexible development of business models**
 - In the first 3 projects (2 of which were implemented), this room for flexibility was not used
 - The report suggests a number of approaches to use the flexibility
 - Projects that are currently under development (**Hafenquerspange, Albaufstieg, Weserquerung**) should get a boost from the results of the study
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Municipal Pilot Projects

- Brandenburg a. d. Havel
 - Maintenance, operation and financing a part of the network for 15-25 years
 - Periodical charges depending on the scope of service and the quality
 - Zeuthen
 - Construction, maintenance, operation and financing a subnet for 25 years
 - Financial contributions from residents can be regarded for the project
 - Targets pursued with attending projects by the VIFG
 - Development of new elements for PPP in road infrastructure (e. g. availability charges, PPP for maintenance, PPP for road networks)
 - Development of optimal strategies for maintenance to force the efficient operation and to enhance the quality of the road conditions (e. g. capturing the conditions, benchmarking)
 - Expansion of PPP solutions and reduction of transaction costs
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Conclusions

- The first projects of PPP in the transport sector have started and are well implemented
- Some projects did not go according to plan (like the first F-Model), other projects seem to succeed (like the A-Model)
- There is still no deal flow of projects and it is even just concentrated on roads
- It does not exist any comparable progress as we have in german public buildings
- As a conclusion there is no certain strategy for PPP in transport sector, but
 - Because of the „efficiency return“ PPP is still desired (if it fits to the budget)
 - The private sector seems to be interested in german transport sector
 - PPP should take the role of the benchmark in economic process, even though it is still focused on projects

Perspectives

- PPP is an important instrument to modernize the administration and should not be chosen as an end in itself
 - The search for alternative solutions like PPP shows potentials in the conventional sphere
 - The whole procurement process should learn from PPP-projects, like getting more transparent and implementing a performance monitoring
- Further A-Model projects are in preparation, the evaluation of the F-Model should give the discussed projects a boost
- The first regional projects have also started and the number of interested municipals seems to grow
 - There can be lessons learned from projects including a road network
 - The expected payment mechanism for availability is new in germany
- The ministry of transport wants to expand the user financing and discusses a further development of the VIFG

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Contacting us

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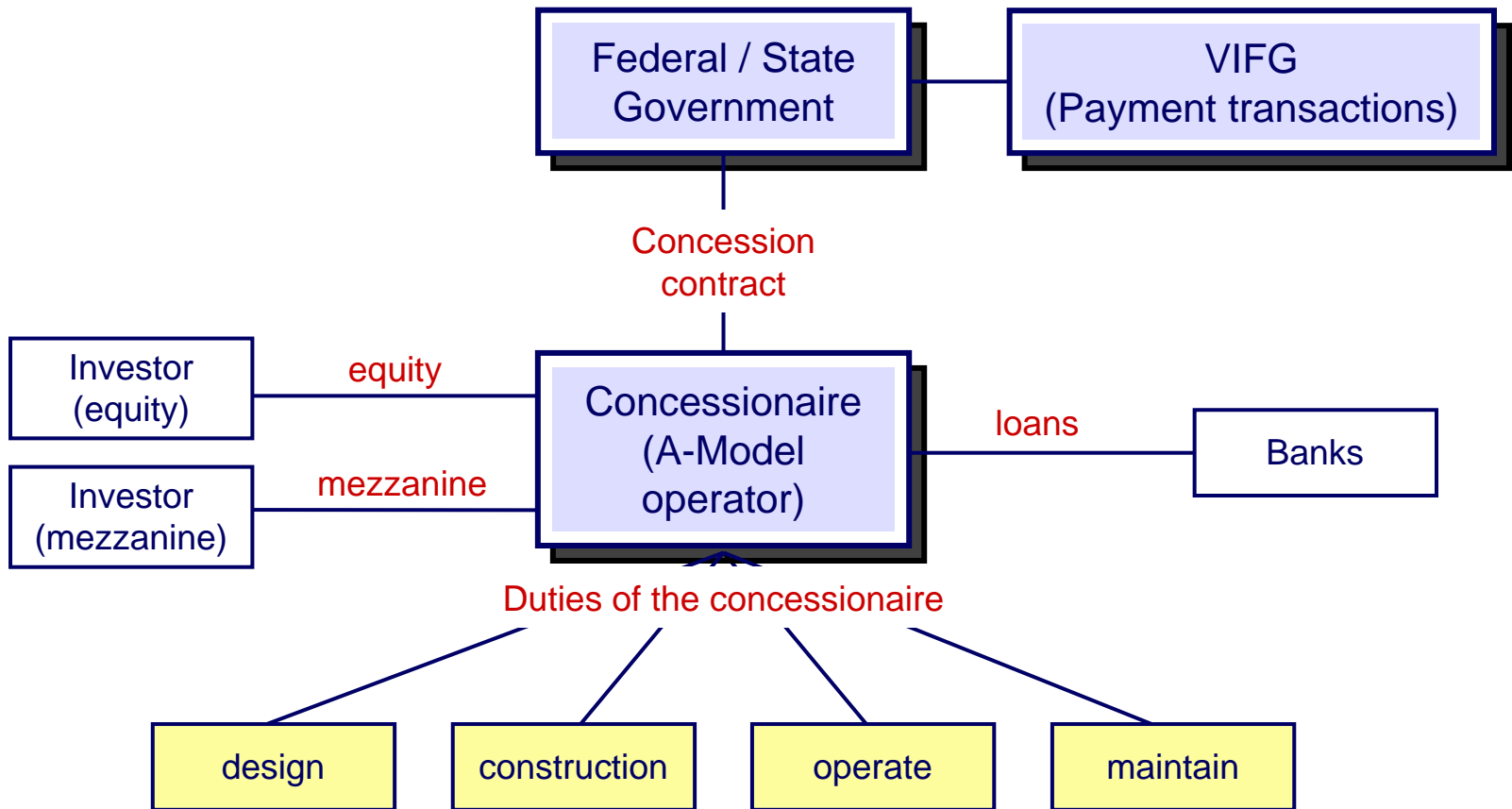
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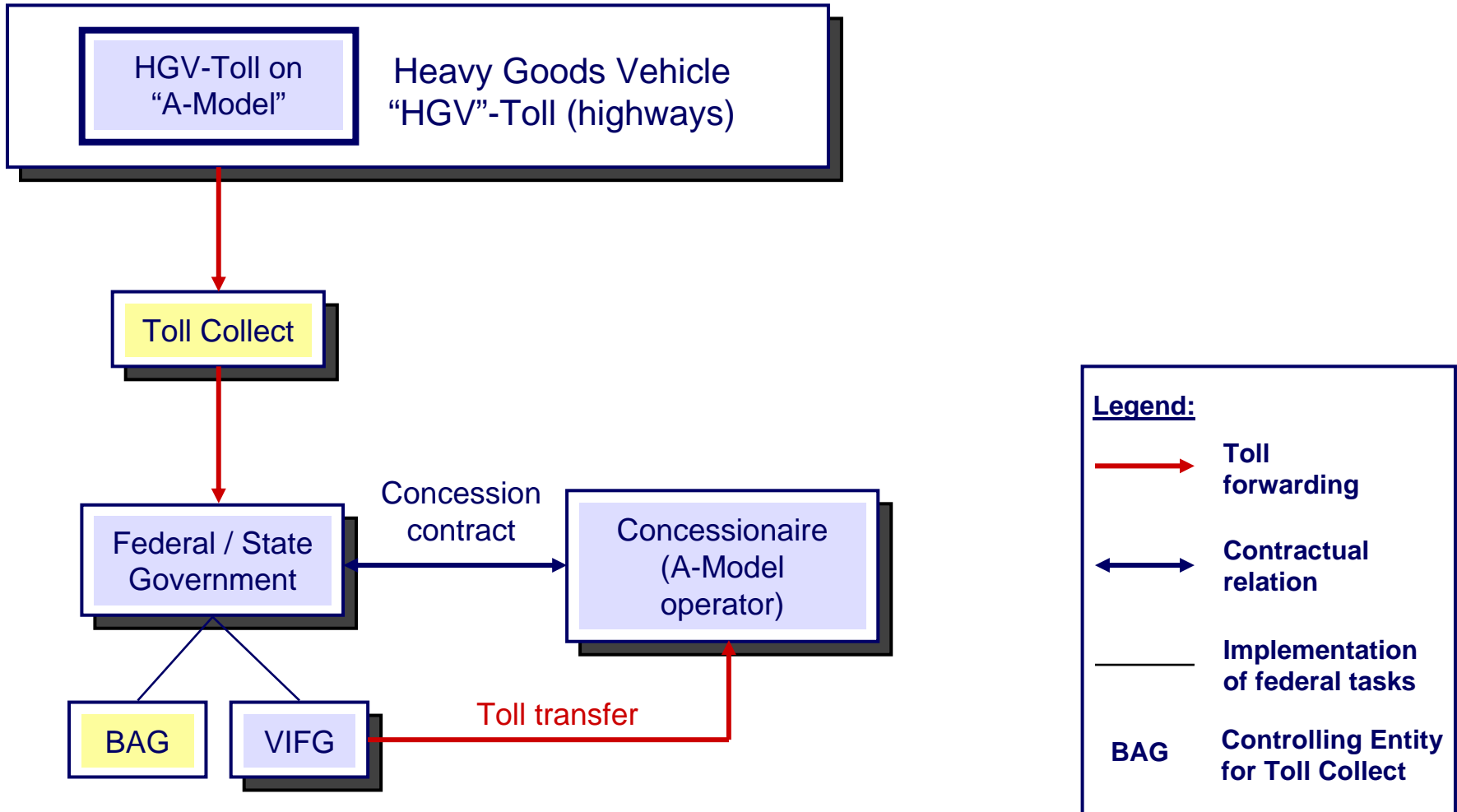
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Structure of the A-Model

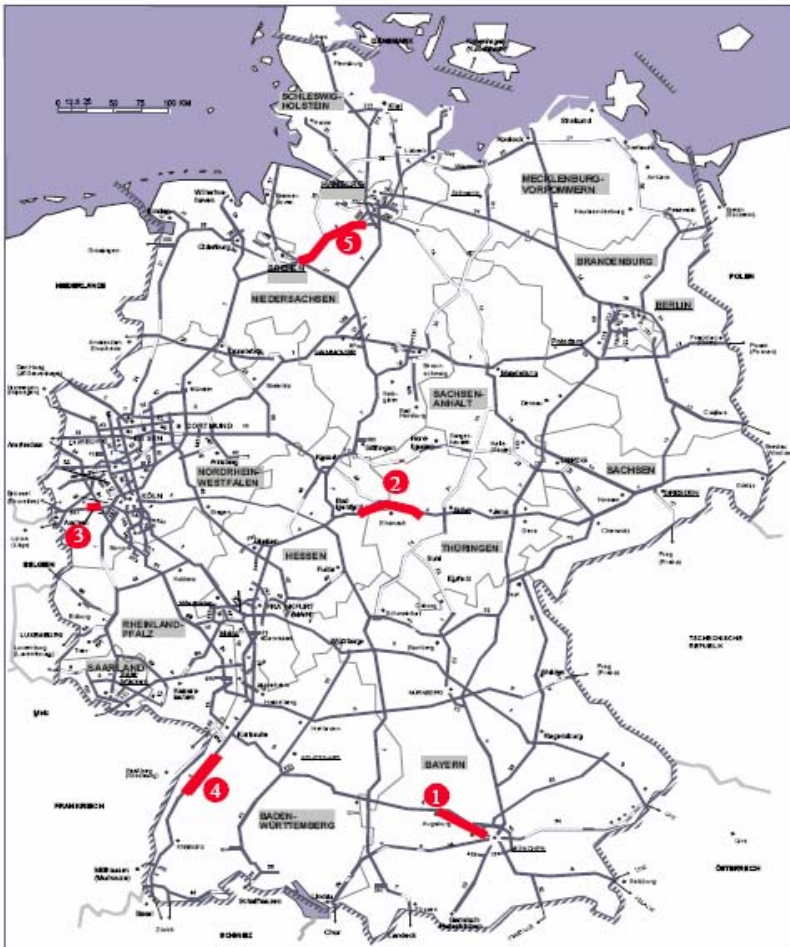


Structure of the Toll transfer



The A-Model Scheme

A-Model – Pilot projects



1. Bayern (*awarded*):
 - A8 (AS Augsburg West – AS München Allach)
 2. Thüringen (*awarded*):
 - A4 (AS Waltershausen - AS Herleshausen)
 3. Nordrhein-Westfalen (*in preparation*):
 - A4/A1 (AS Düren - AK Köln/Nord)
 4. Baden-Württemberg (*in tender*):
 - A5 (AS Baden-Baden - AS Offenburg)
 5. Niedersachsen (*in tender*):
 - A1 (AD Buchholz - AK Bremer Kreuz)
- First there have been planned 12 pilot projects

A-Model A8



PROJECT DETAILS

- **Road Section:** AS Augsburg West – AS München Allach
- **Length:** 53 km
- **Construction Costs:** app. €230 m
- **Concessionaire:** Autobahnplus
(BAM PPP / Egis / Fluor / Trapp / Berger Bau)
- **Lender:** DEPFA Bank
- **Financial Advisor:** KPMG
- **Legal Advisor:** Lovells

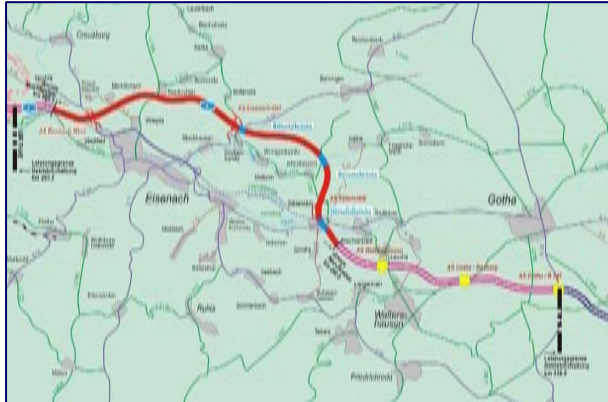
FINANCIAL DETAILS

- **Debt (total):** €289 m
- Equity Bridge: €27 m
- Debt: €241 m
- Mezzanine: €12 m
- Debt Service Reserve Facility: €9 m
- **Equity (total):** €27 m
- quota: 11,7 %
- **Debt/Equity ratio:** 92/8
- **Margin:** 40-80 bps

SCHEDULE

- **Status:** Awarded
- **Tender launched:** Mar. 2005
- **Prequalification:** Sept. 2005
- **BAFO:** Feb. 2007
- **Start of concession:** May 2007
- **Construction Period:** 3,5 years

A-Model A4



PROJECT DETAILS

- **Road Section:** AS Waltershausen - AS Herleshausen
- **Length:** 44,7 km to operate & maintain
- **Construction Costs:** --
- **Concessionaire:** HochTief / Vinci
- **Lender:** EIB / Dexia / HBOS
- **Financial Advisor:** Deutsche Bank
- **Legal Advisor:** Freshfields

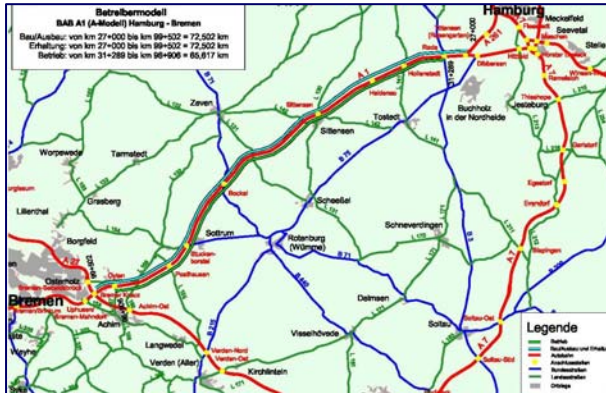
SCHEDULE

- **Status:** Awarded
- **Tender launched:** Aug. 2005
- **Shortlist:** Feb. 2006
- **BAFO:** Aug. 2007
- **Financial Close:** Okt. 2007
- **Start of concession:** Okt. 2007
- **Construction Period:** ... years

FINANCIAL DETAILS

- **Debt (total):** €280 m
 - EIB: €100 m
 - Dexia: €90 m
 - HBOS: €90 m
- **Equity (total):** €25 m
 - quota: 8,3 %
- **Debt/Equity ratio:** 91/9
- **Margin:** up to 80-90 bps

A-Model A1



PROJECT DETAILS

- **Road Section:** AD Buchholz - AK Bremer Kreuz
- **Length:** 72,5 km
- **Construction Costs:** app. €540 m
- **Concessionaire:** Bilfinger Berger / Laing Roads / Johann Bunte
financial close expected
- **Lender:** --
- **Financial Advisor:** Macquarie
- **Legal Advisor:** Linklaters

SCHEDULE

- **Status:** Awarded
- **Tender launched:** Dec. 2005
- **Shortlist:** May 2007
- **BAFO:** Apr. 2008
- **Financial Close:** expected
- **Start of concession:** 2008
- **Construction Period:** 4 years

FINANCIAL DETAILS

(financial close expected)

- **Debt (total):** --
- **Equity (total)** --
- **Debt/Equity ratio:** --
- **Margin:** --

A-Model A5



PROJECT DETAILS

- **Road Section:** AS Baden-Baden - AS Offenburg
- **Length:** 59,7 km
- **Construction Costs:** app. €265 m

SCHEDULE

- | | | | |
|----------------------------|-----------|-------------------------|-------------|
| ▪ Status: | in tender | ▪ Bids received: | Sept. 2007 |
| ▪ Tender launched: | Dec. 2005 | ▪ Start of | |
| ▪ Prequalification: | Feb. 2007 | concession: | 2009 (exp.) |