Public Private Partnership

June 2014

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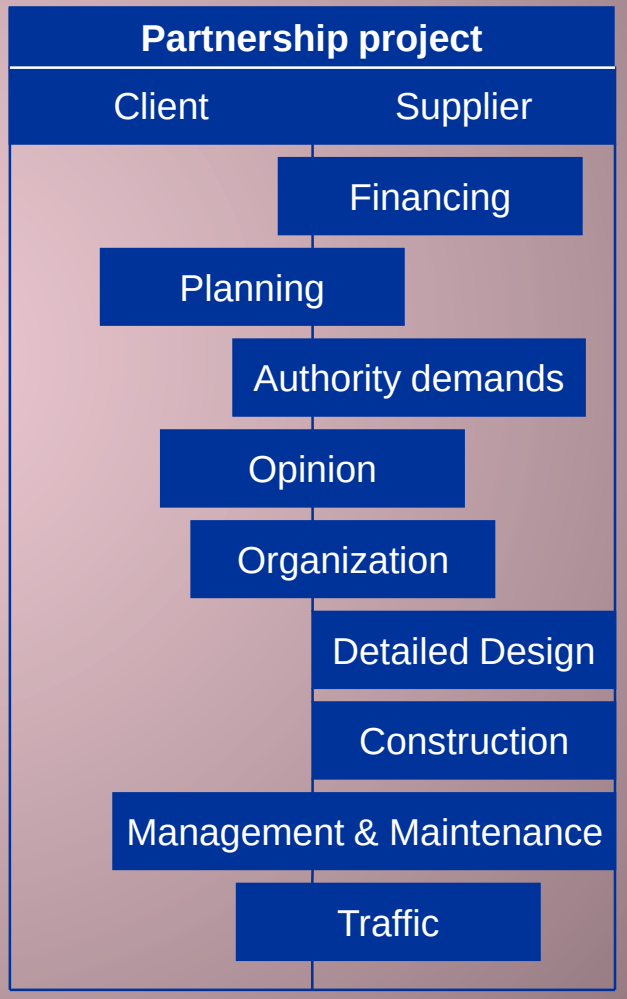
PPP, definition

- Describes a government service or private business venture which is funded and operated through a partnership of government (a/o other authorities) and one or more private sector companies.

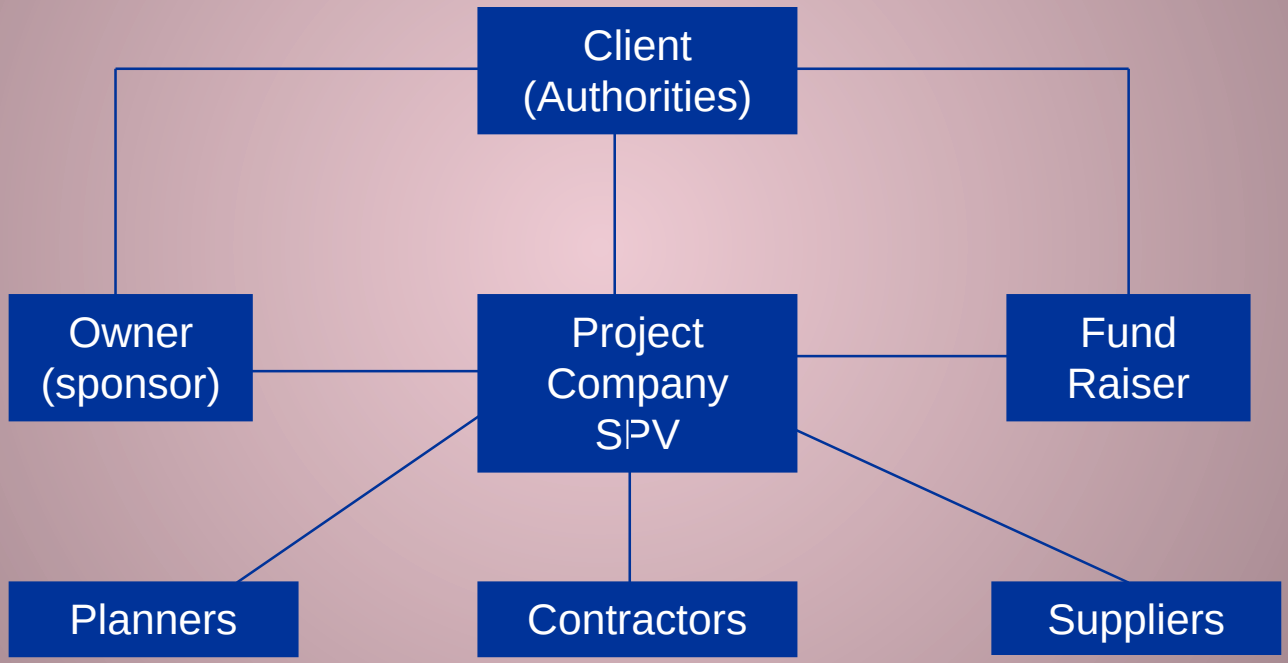
- In some types of PPP, the government uses tax revenue to provide capital for investment, with operations run jointly with the private sector or under contract. In other types capital investment is made by the private sector on the strength of a contract with government to provide agreed services. Government contributions to a PPP may also be in kind (notably the transfer of existing assets).

- Typically, a private sector consortium forms a special company called a ”Special Purpose Vehicle" (SPV) to build and maintain the asset. The consortium is usually made up of a building contractor, an operation/maintenance company and a bank lender. It is the SPV that signs the contract with the government and with subcontractors to build the facility and then maintain it.

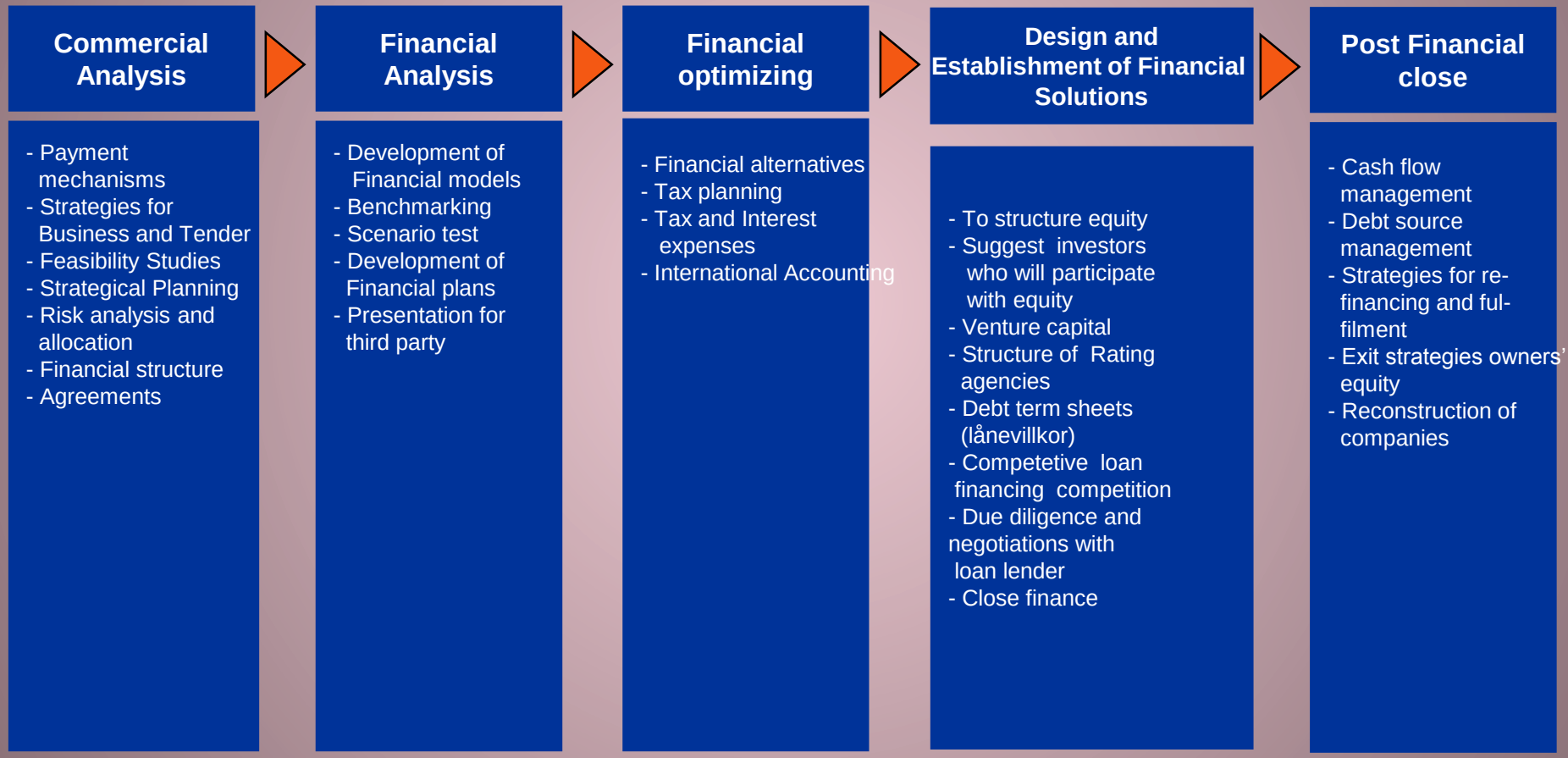
PPP, definition …….



PPP, definition …….



Financing of a PPP Project



Fund raising for infrastructure projects

Alternative	Financing modell	comments
The government agency builds and operates. (alt. A)	The projects is financed basically through taxes	Applicable when no private gains are expected
Government & other authorities co-finance (Alt B)	The government contributes with money & know how Local/regional authorities contribute with capital, land, work a/o know how.	Becoming more and more commun in Sweden
Public **P**rivate **P**artnership (Alt C)	Agreement between public & private participants who share the risks and benefits.	When there are private actors who demonstrably benefit from the project.
Build **O**perate **T**urn over (alt. D)	Private part has the responsibility for the whole project including: planning, financing, construction, operation, maintenance within a certain period of time and then turns it over to the authorities.	Usually with some kind of guarantee from the authorities side.
Consession (alt. E)	Private part has the responsibility for the whole project including: planning, financing, construction, operation, maintenance.	When authorities need financial support. Demands objects that are easy to isolate

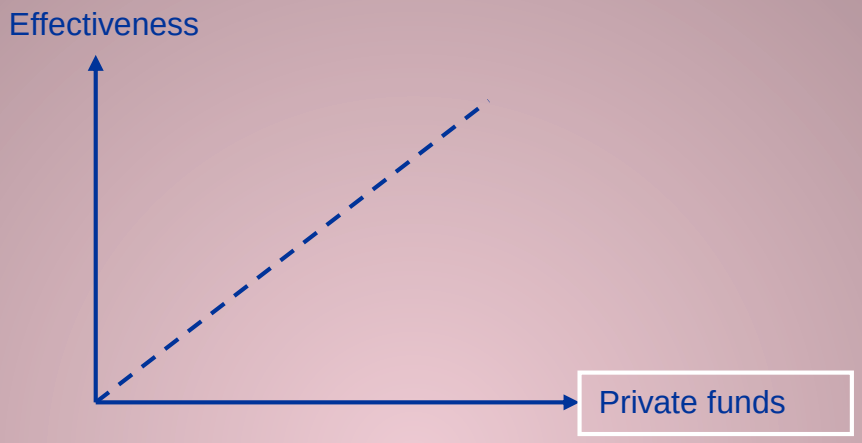
PPP – Advantages

- For the Public Partner
  - Higher level of quality and innovation
  - More value for invested capital
  - Lower cost
  - Lower risk
  - Fast completion
    - Delayed PPP-projects: 24%
    - Delayed Public projects: 70%
  - Better compliance with budget limits
    - PPP-projects exceeding their budget: 22%
    - Public projects exceeding their budget: 73%
- För The Private partner
  - Higher level of financial activities
  - Better profit
  - Access to new markets
  - Longterm Income

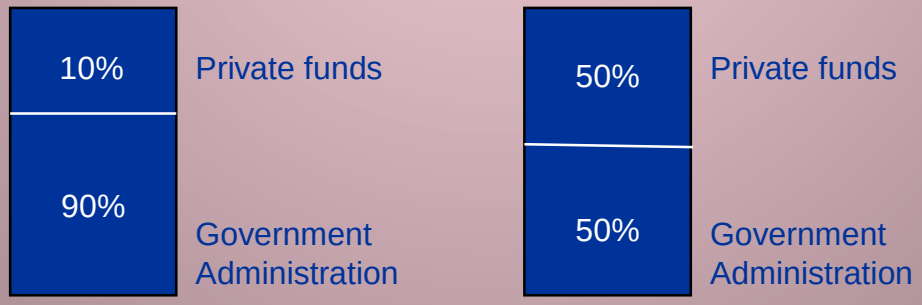
PPP – Disadvantages

- Higher Capital Cost*
- Time, and resource intensive during planning
- Long-term projects can elminate competition
- Complicated evaluation of assets
- The advantages may be outweighed by disadvantages caused by different parts inappropriate compensation for work.

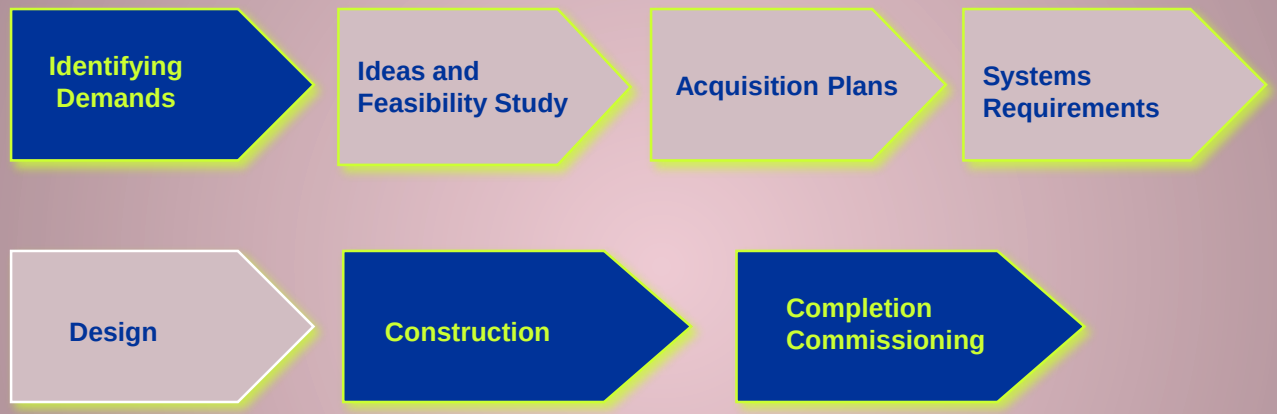
PPP – Advantages and disadvantages



Financial and/or Managemnet Co-operation Public-Private



The Process:
Planning & Execution



The Process:
Management

Project Creation

Identify a “need”, develope an idea, Calculate profitability, Find ”right” combination of actors, Implement

- Toll Motorways — Albania
- Wind Power Plant — Costa Rica
- Cooling systems for Ice Hockey Rinks — Sweden
- Power Plant — Albania
- Wind Power Plant — Sweden

Project Utilization

Trial and correction: Create an opinion, Minimize eventual risks, Start the process

- Svealandsbanan — Sweden
- The Ost Link, high-speed railway — Sweden
- Extension and management of the tramway — Sweden
- Rehabilitation of the railway — Guinea
- Extension of the underground (blue line) — Sweden

Project Management

Manage project (within given frames), Optimizing the costs, Hire and Coordinate consultants/entrepreneurs/suppliers, Incentive contract

- Commercial Properties Sweden
- Railways Ådalsbanan Sweden
- Coordination containers Defense dept. EU
- Broadband expansion Sweden

Operational Phase

Management & Maintenance

Planning and Operating Traffic

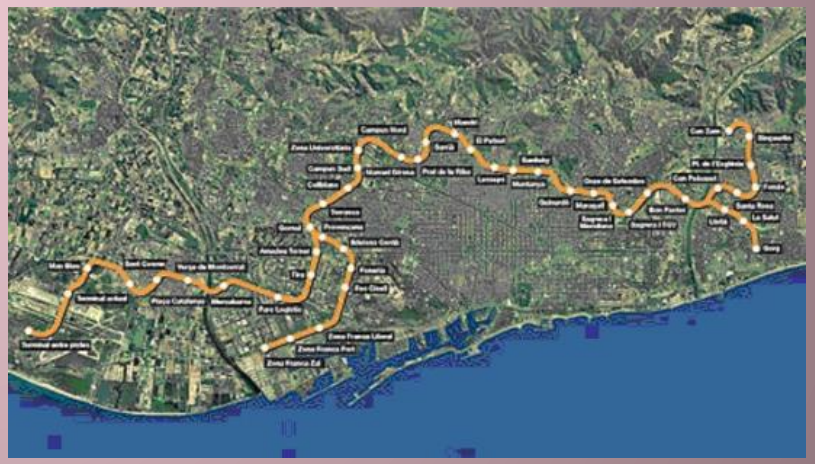
- Procurement
- Rolling Stock Administration
- Traffic Management & control
- Intelligent Maintenance Planning
- Tariffs and Ticketing Systems

Arlandabanan , PPP with Guarantee

The ARN-STO Rail link (Arlandabanan) Sweden	
Project Type:	Greenfield
Contract duration:	45 Years (including Design & Construction There are also limited possibilities for a 10-year extension.
Budget:	SEK 6811M The actual construction cost was SEK 6811M, while the forecast was SEK 6025M.
Project Time Line	
Project conception:	January 1993;
Call for Tender:	June 1993;
Contract Approved:	September 1994;
Financial Close:	October/November 1995;
Start of construction:	November 1995;
Start of Operation:	1999;
Refinancing:	1999;
Refinancing:	2004

Line 9, (Linia 9) Barcelona, PPP

Description
The project concerns the construction and operation of 51 stations of the new 49 km metro Line 9 in the city of Barcelona, to be developed through four long-term DBFO concession agreements corresponding to the four sections in which the project has been divided.



Total cost:
Approximately EUR 2,5 bn.

European Investment Bank The EU bank

New University Hospital NKS, PPP

Stockholms läns landsting

SKANSKA

East Link, PPP?

Legal issues:
- Procuremnet
- Market Libralization
- EU-regulations

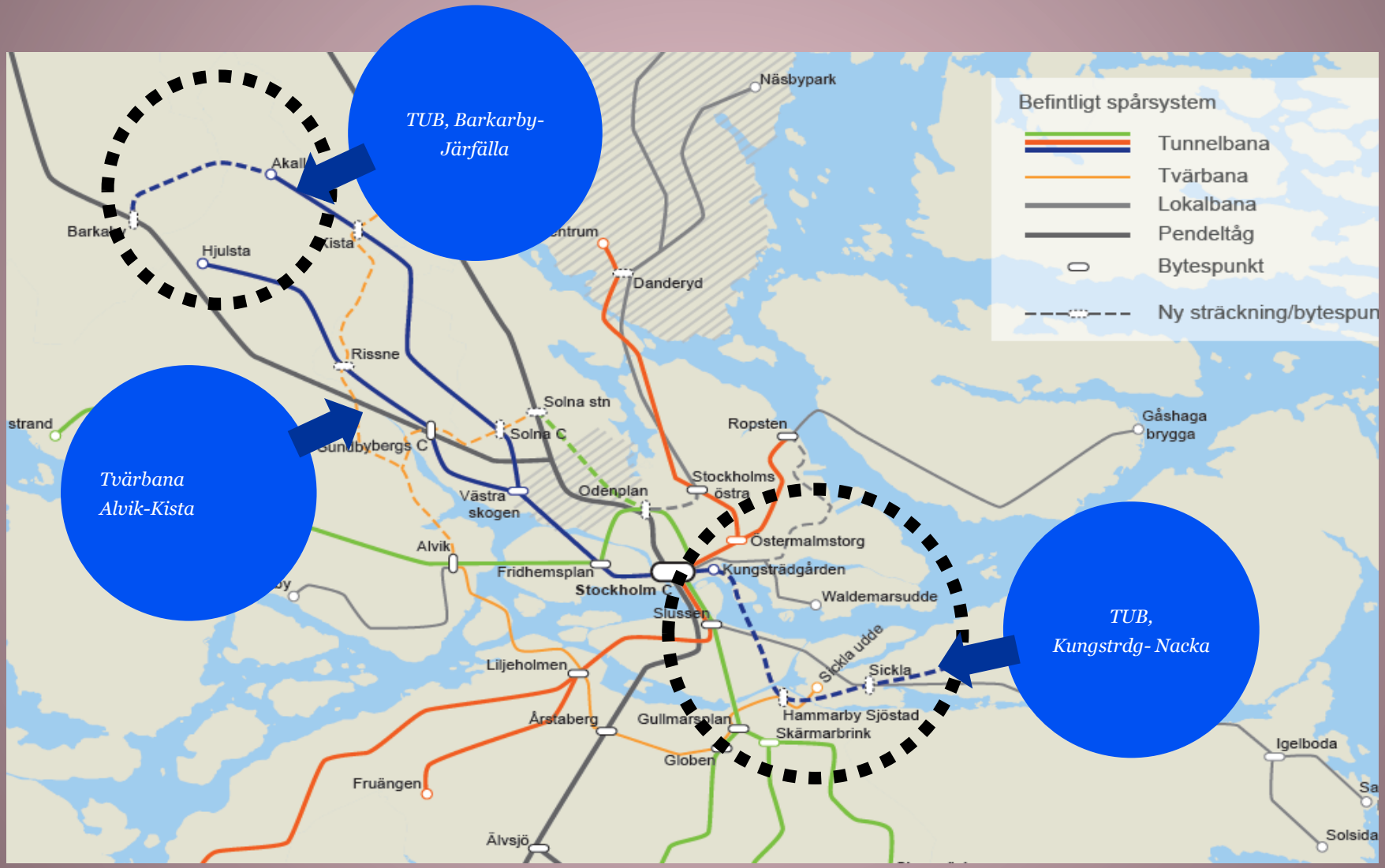
Political issues:
- Long-term engagement
- Neutral solution

Financial issues:
- 12 bn SEK, allocation
- Federal Guarantee
- Compensation modell

Tecnical issues:
- Standard (High speed?)
- What kind of traffic?
- EU-regulations

Market issues:
- Reliable forecasts
- Competition Analysis

Extension of Stockholm Underground PPP?



More PPP projects?

Granada
Metro de Granada. Light train 15,9 km DBFO project (design, build, finance, operate). 550 MEUR.
Ferrocarriles de la junta de Andalucia.

Zaragoza
Build and operate 13 km Light train in the city of Zaragoza.
M EUR 400 .
City of Zaragoza 20%, konsortiet TRAZA (Tuzsa, CAF, FCC Counstruccion, Acciona, Ibercaja och Concessia) 80%.

Barcelona
14 km tram in Barcelona. DBFO, MEUR 260 milj kr
Autoritat del transport Metropolita.

Sevilla
1st metor line , MEUR 440, 35 yrs
Communidad Autonoma de Andalucia.

More PPP projects?

Antwerpen 1
16 km tunnel. DBFM (M=maintenance)-MEUR 841 42 yrs.

Antwerpen 2
Tram, DBFM-projekt, MEUR 100, 25 yrs.

Antwerpen 3
1st PPP-project in Flanders, Belgien. DBFM-project.
De Lijn.

Bruxelles
Depot for tramway, DBFM-project, 30yrs.
Tramway system, DBFMO- project, MEUR 420 11.4 km lång incl. 21 stations, 19 trains , depot and maintenance.
Liège

London 1
2,5km extension of Docklands light railway linje to Woolwich Arsenal. AMEC plc and the Royal bank of Scotland , MEUR 220 .