

Market Update

Review of the European PPP Market First semester of 2011

Headlines

- During the first half of the year, the European PPP market was fuelled by a limited number of very large transport transactions
- The semester is marked by the dominance of the French market (in value terms) and a sharp increase in the average transaction size
- Overall, 47 transactions reached financial close for an aggregate value of EUR 9.7 billion
- Only 8 countries closed PPP transactions over the period
- The Tours-Bordeaux high-speed railway transaction (France), which reached financial close in June, is one of the largest European PPP transaction ever closed

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This publication has been prepared to contribute to and stimulate discussions on public-private partnerships (PPPs) as well as to foster the diffusion of best practices in this area.

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Data Collection and Methodology

The data used in this publication is an EPEC elaboration of information collected from a variety of sources, in particular Dealogic ProjectWare, InfraNews, Infrastructure Journal and Inspiratia, cross-checked where appropriate against EIB's own project files. The list of PPP projects forming the dataset has been validated, where possible, by EPEC members. The data however remains incomplete. As a consequence, the findings of this publication should be treated with caution.

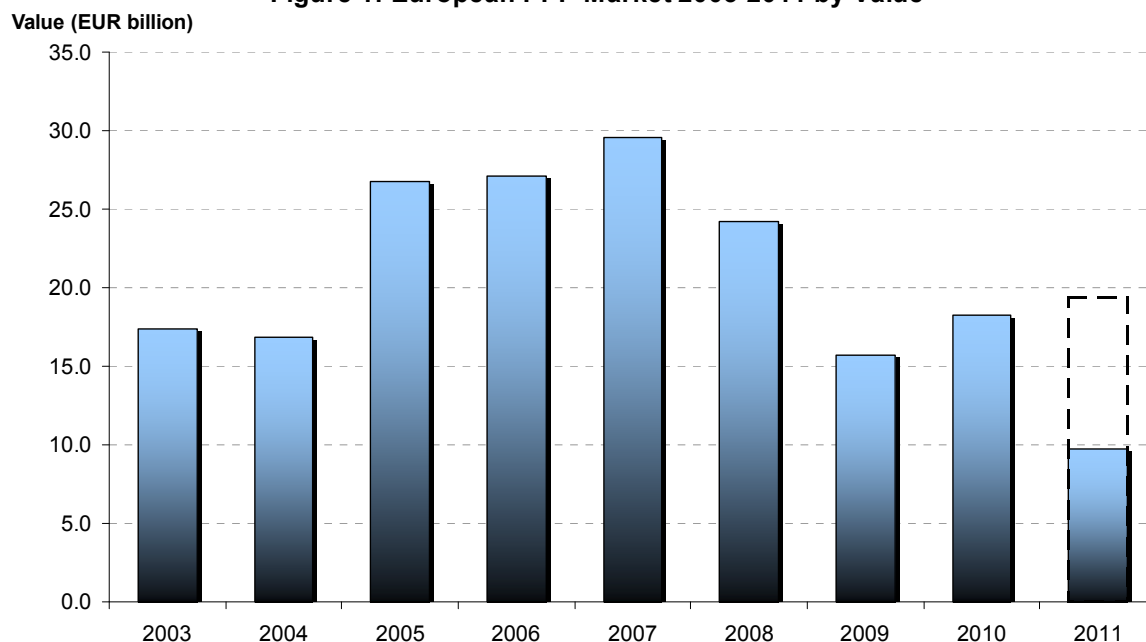
The data covers PPP transactions (typically DBFOs, DBFMs or concession arrangements) financed through project financing and that reached financial close over the first semester of 2011. The data does not cover projects with a capital value of less than EUR 5 million.

The project values referred to in this publication represent the project funding requirements at the time of financial close (i.e. the sum of debt and equity).

1. OVERVIEW

- The aggregate **value of PPP transactions** that reached financial close on the European market in the first semester of 2011 totalled **EUR 9.7 billion**. As Figure 1 below shows, this half-year market value is in line with that of 2010 (EUR 18.3 billion on a 12-month basis).

Figure 1: European PPP Market 2003-2011 by Value



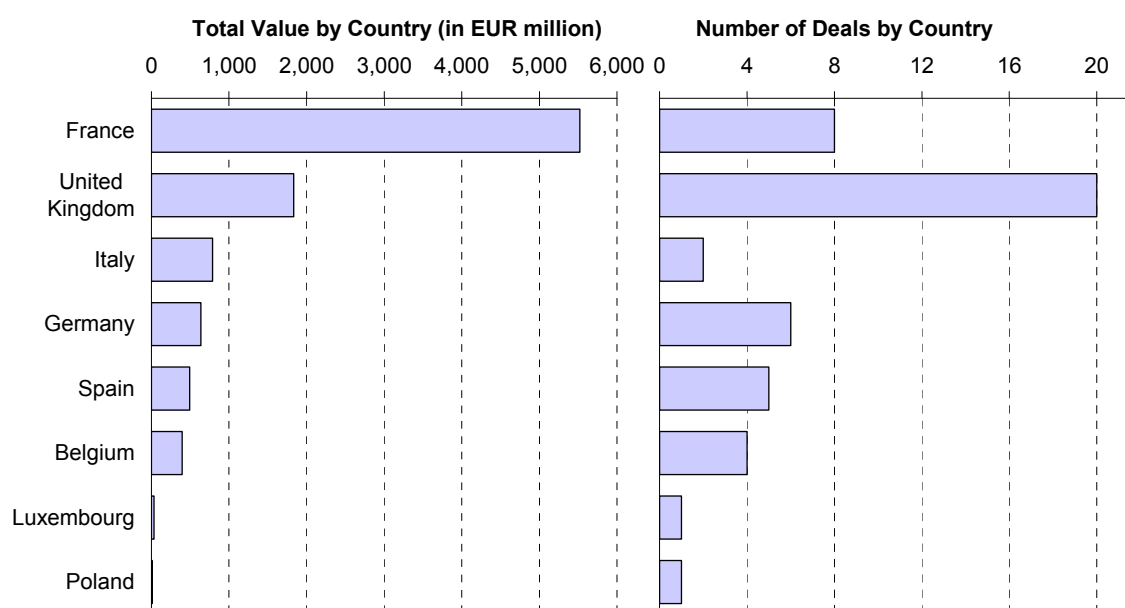
- Over the period, **47 PPP transactions** reached financial close, well below the 58 transactions signed over the first six months of 2010.
- The **average transaction size** stood at **EUR 207 million**, considerably higher than the figures for 2010 and 2009 (respectively EUR 163 million and EUR 91 million). This increase is explained by the closing of a number of very large transactions.
- During the first half of the year, **4 large PPP transactions¹** reached financial close. Large PPPs accounted for roughly 60% of the aggregate market value. Three of these transactions closed in France and one in Italy:
 - the Tours-Bordeaux high speed railway (France, over EUR 3 billion);
 - the A63 highway (France, over EUR 1 billion);
 - the Balard defence headquarters (France, EUR 800 million); and
 - the Strada dei Parchi motorway (Italy, EUR 600 million).
- The role of **governments and public financial institutions** in financing or guaranteeing PPP projects remained strong in the first half of 2011, in particular in France and in Italy.

¹ Defined as deals exceeding EUR 500 million in value.

2. COUNTRY BREAKDOWN

- As Figure 2 below shows, **France was by far the largest PPP market in value terms**, overtaking Spain and the UK which led the market in 2010. France alone accounted for 57% the overall European market value.
- The **UK is still the most active market** in terms of transaction number. 20 UK deals reached financial close over the period. The UK is followed by France (8 transactions), Germany (6), Spain (5) and Belgium (4).
- **Deals remain concentrated in a few countries.** Only 8 countries closed PPP transactions over the first half of 2011. Luxembourg closed its first PPP transaction², a EUR 33 million sport centre. Only one transaction closed in the EU 12 Member States (a car park project in Poland).

Figure 2: Country breakdown by value and number of transactions

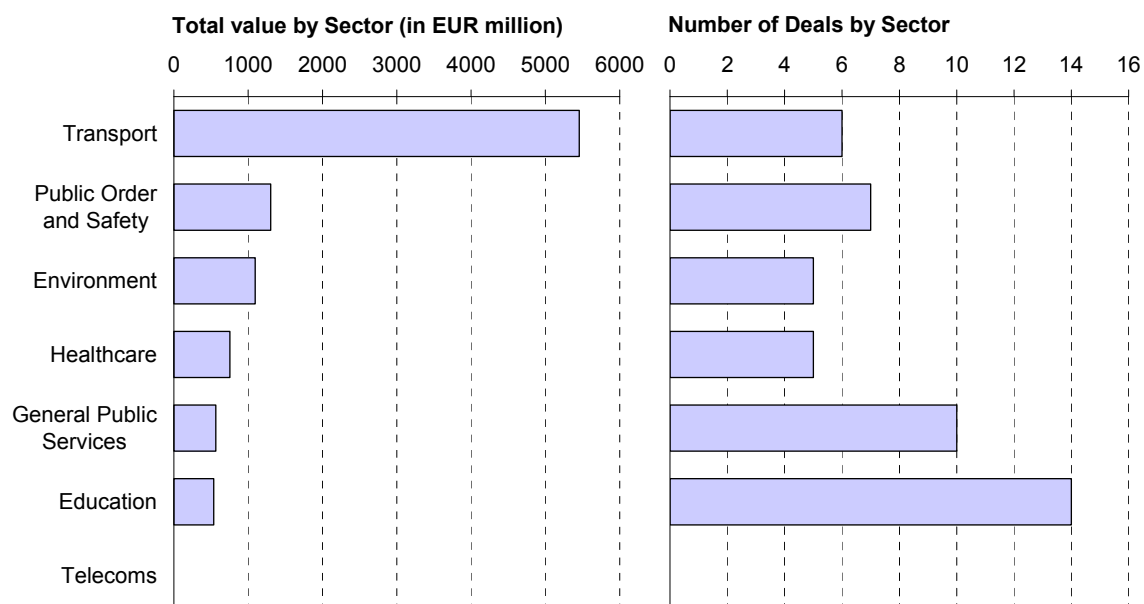


² At least since 2002, the start of the data series collected by EPEC.

3. SECTOR BREAKDOWN

- Figure 3 below shows that the **transport** sector accounted for over 55% of the European PPP market value. However, only 6 transactions closed in the sector during the semester, compared to 24 for the full year 2010.
- The most active PPP sector (by transaction number) proved to be **education** with 14 transactions closed. The projects are however particularly small (average size below EUR 40 million).
- The **public order and safety**³ sector saw 7 financial closings, including the very large Balard defence headquarters project in France. The four Belgian transactions that closed during the first semester of the year were in this sector.
- A record 10 **general public services** projects (e.g. street-lighting, sport and leisure centres) were concluded, although these accounted for a limited 6% of the aggregate market value.
- In the **environment** sector, five waste management projects reached financial close for a total funding requirement of EUR 1.1 billion. All five are UK projects.
- No **telecoms** PPP reached financial close in the first half of 2011. 5 transactions closed in this sector in 2010.

Figure 3: Sector breakdown by value and number of transactions



³ This category includes for instance prisons, law courts, police and fire stations.

4. NOTEWORTHY TRANSACTIONS

Three noteworthy transactions reached financial close during the first half of 2011:

- The **Tours-Bordeaux high-speed railway** (France) project consists in the construction of a 303 km high-speed line for a total cost of EUR 7.8 billion, to be carried out under a 50-year concession arrangement. The role of the public sector in financing the project has been particularly significant. Grants from the French State, the relevant regions and RFF (the State-owned company managing the French rail network) amount to EUR 4 billion. The Caisse des Dépôts provides EUR 757 million of the EUR 3.8 billion debt package. About 60% of the debt is guaranteed by RFF or the Government.
- The **Strada dei Parchi motorway** (Italy) reached financial close in February. The debt package for this project financing amounted to EUR 570 million. The project foresees the refurbishment and upgrading of parts of the A24 and A25 roads linking the Adriatic to the Tyrrhenian coasts. Strada dei Parchi, the private concessionaire operating the A24 and A25 toll roads, is regulated through a “regulatory asset-based” mechanism. Under this mechanism, the regulator sets the level of road user tolls based on an agreed investment programme the concessionaire is committed to implement. This transaction can be considered as the first Italian road concession project financed to date.
- The **Nice Eco Stadium** (France) is part of the French effort to host the European Football Championships in 2016. The EUR 204 million project reached financial close in January. It will be constructed in an “eco-valley” near Nice. The project design provides for energy-efficient solutions for heating/cooling, lighting and rainwater utilisation. In addition, the stadium is expected to be self-sufficient from an energy standpoint thanks to 16,000 m² of photovoltaic panels. The PPP structure is designed to include commercial revenues in a standard availability payment scheme.



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