



*Public Private  
Partnerships, The Rules*

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Member of the PwC PPP expert group

Relevant project experience

- Rail Dutch High Speed Rail PPP
- Ports Port extension Rotterdam, Maasvlakte 2
- Roads Highway PPPs
- Airports Amsterdam Schiphol Airport

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# *Agenda*

1. Public Private Partnerships
2. Structuring your project
3. Project Finance
4. PPP procurement process
5. Case study

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# *Public Private Partnerships*

Working together towards a common goal

# *1*

## *PPPs - Generic Definition*

**PUBLIC**

→ owns assets, public service

**PRIVATE**

→ skills, efficiencies and finance

**PARTNERSHIP**

→ co-operation and risk sharing

Any transaction structure involving both private & public parties working together towards a common goal

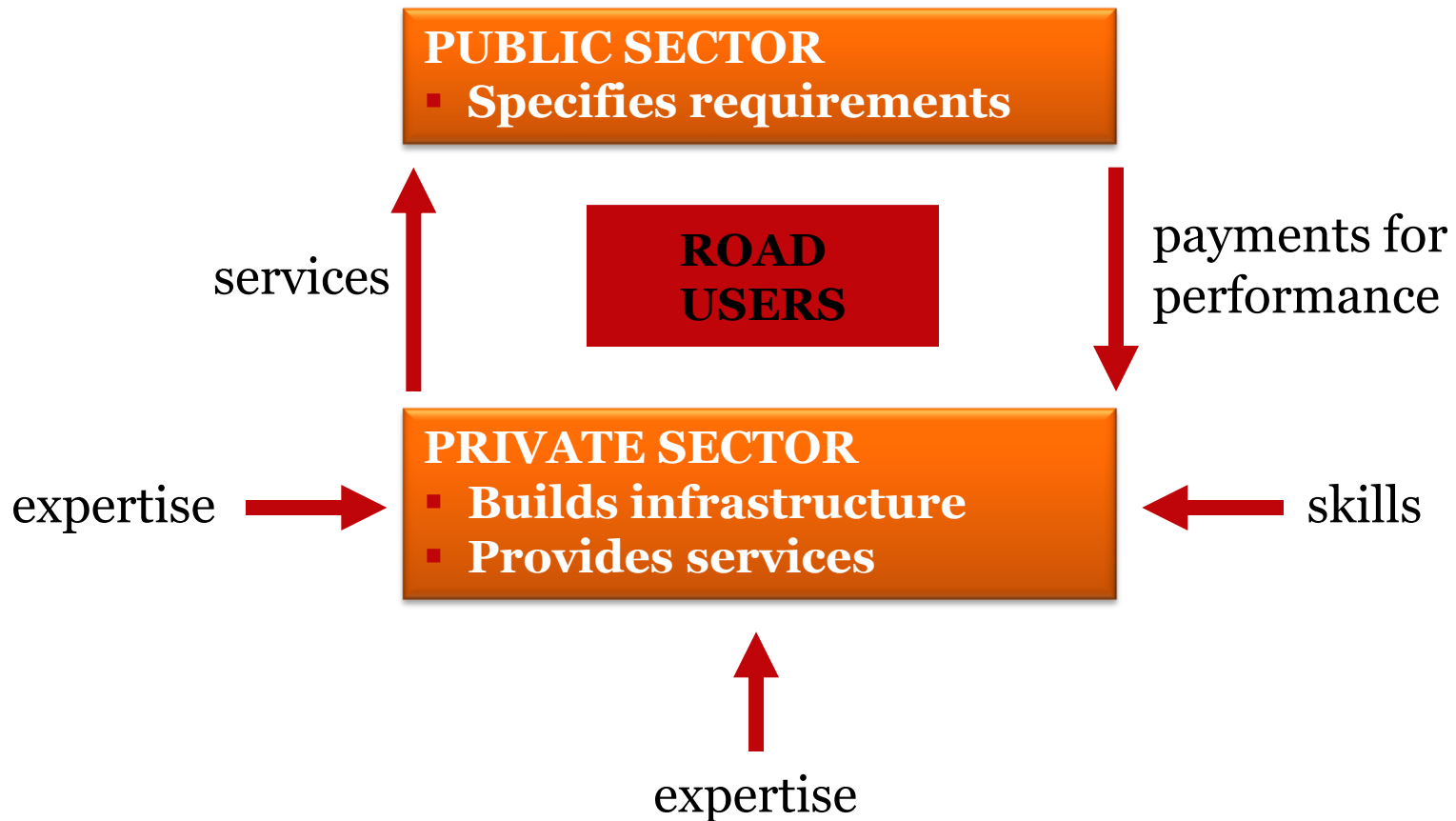
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## *Benefits of Partnership*

- Ongoing, long term relationship
- not a one-off transaction
- both sides work together
- common aim
- co-operative, not confrontational

A change in approach to procurement

# *The Concept - PPP Model*



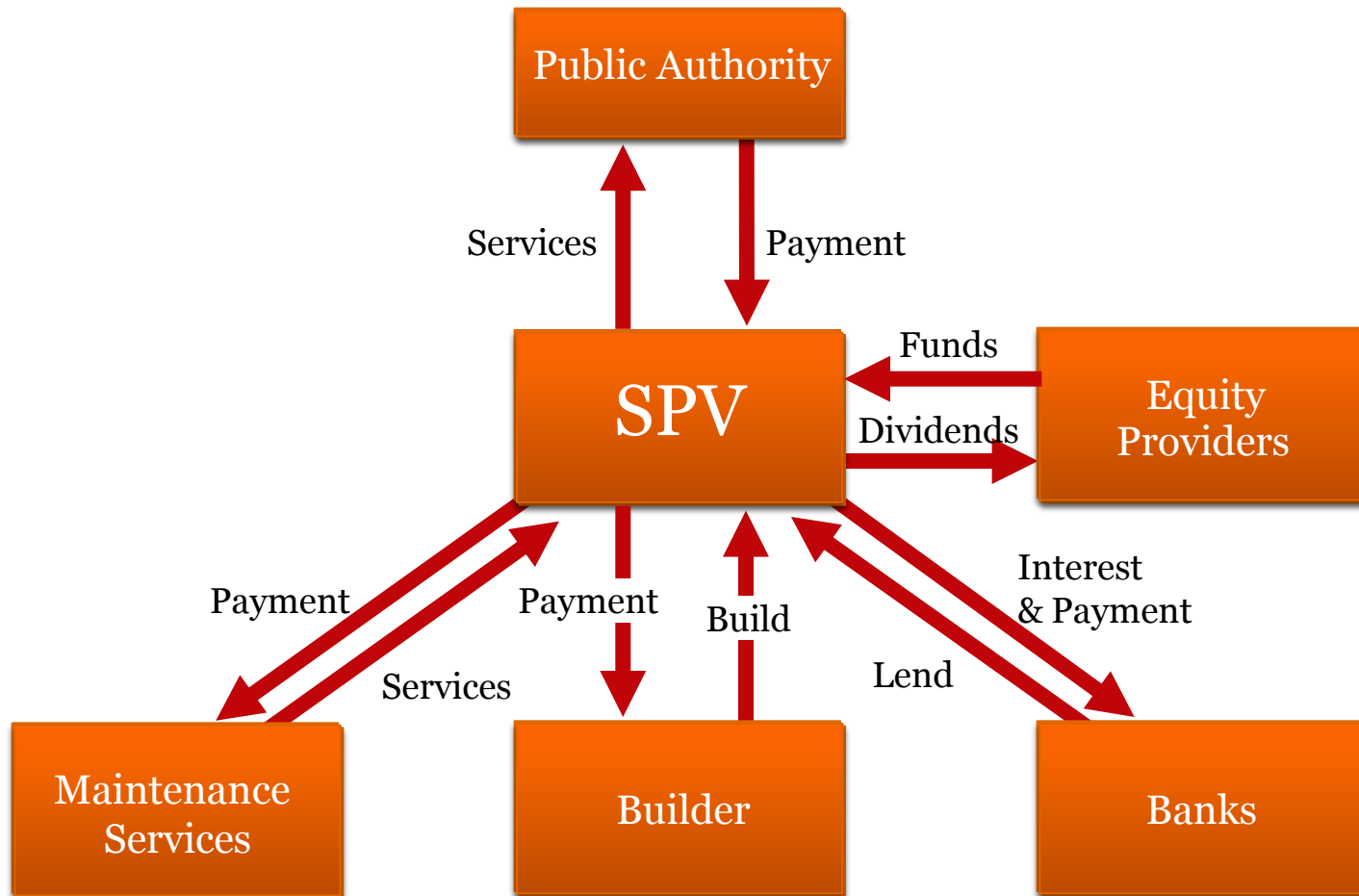
# *Structuring your project*

some issues to consider

# 2



# Typical Consortium Structure



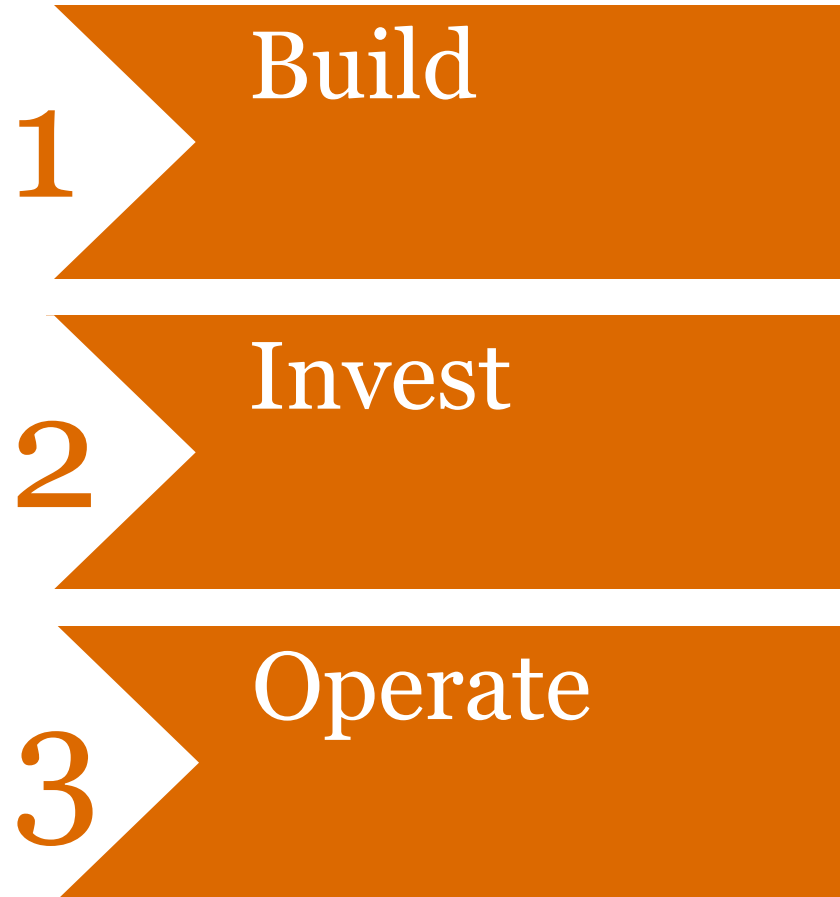
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## ***What Drive Consortium Bids?***

- Broad knowledge and skill area expertise
- More enlightened attitude to risk through expertise and ability to share
- Enables smaller providers to participate in PPP
- Ability to penetrate foreign markets – investing outside of one's home market
- Cost effectiveness – share the bid costs

# ***Contractors Interests***

- Profits from construction works
- Today PPP is common in procurements
- 10% of finance going in as equity at returns 10%-15% IRR
- Analysts starting to recognise concession value in share price
- *Need equity to make and carry investment*
- Operating roles stabilises long term cash flows
- Profits from maintenance works

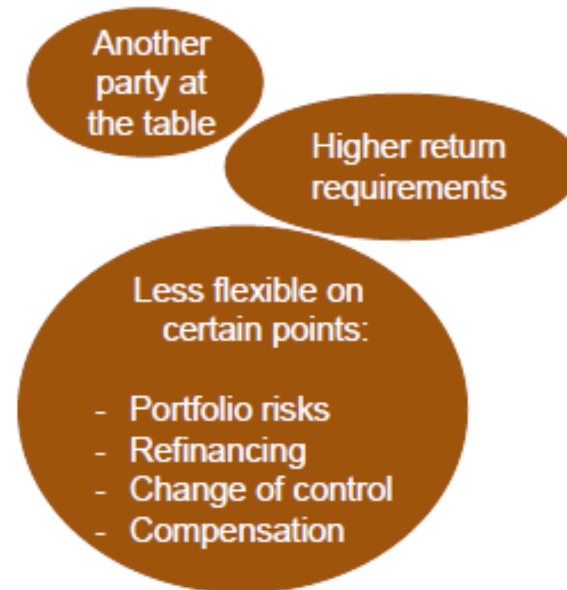


# *Some contractors just doing developer/equity role*

## ADVANTAGES



## DISADVANTAGES



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## ***Business issues to consider for your consortium***

- Exclusivity and admission of new consortium members
- Governance rights among the consortium members – including board representation and voting/veto rights
- Legal documents – consortium agreements
- Selecting advisors – technical, legal, financial, insurance
- Bidding strategy – common vision and philosophy, agreed approach on bidding tactics
- Control of the bidding process – role(s) of each member
- Allocation of bid expenses
- Financing structure

# *Project Finance*

If you want to attract good financiers, you must have a bankable project, aligned to your objectives, and well structured.

# 3

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## *What is PPP Project Finance?*

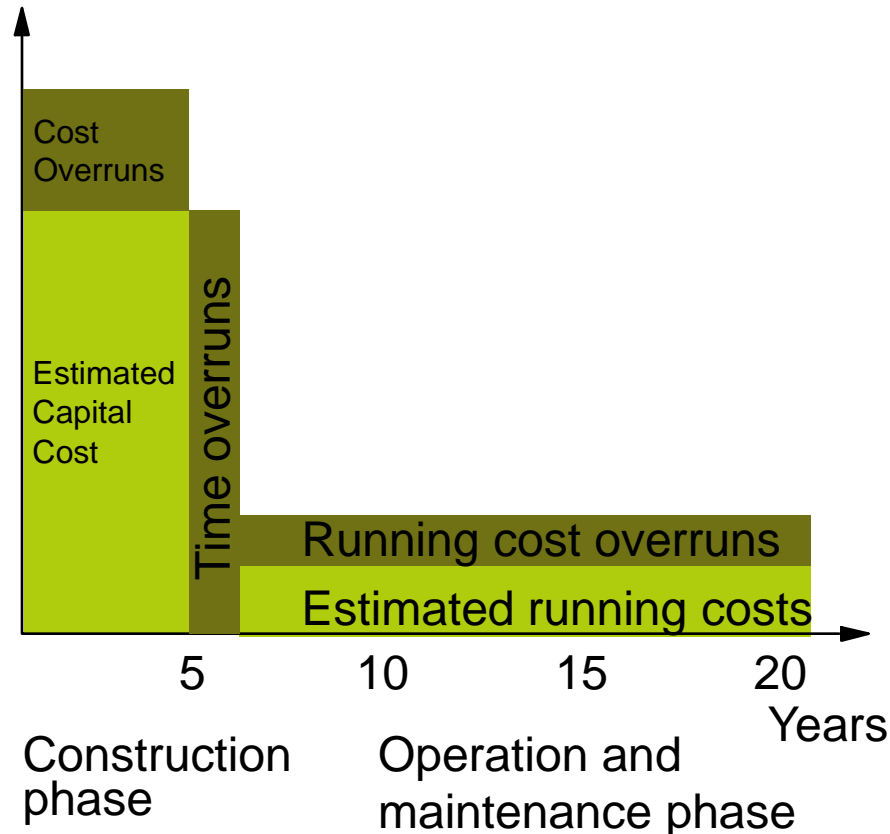
It is Cashflow Based Finance

- Project financing is used typically in long term projects
- Procurement of an asset or “service”
- Security of future cashflows of the project rather than any direct security over assets
- Cost is a factor of project risk and contractual framework
- Long term - typically 20-30 years

# Payment Profiles

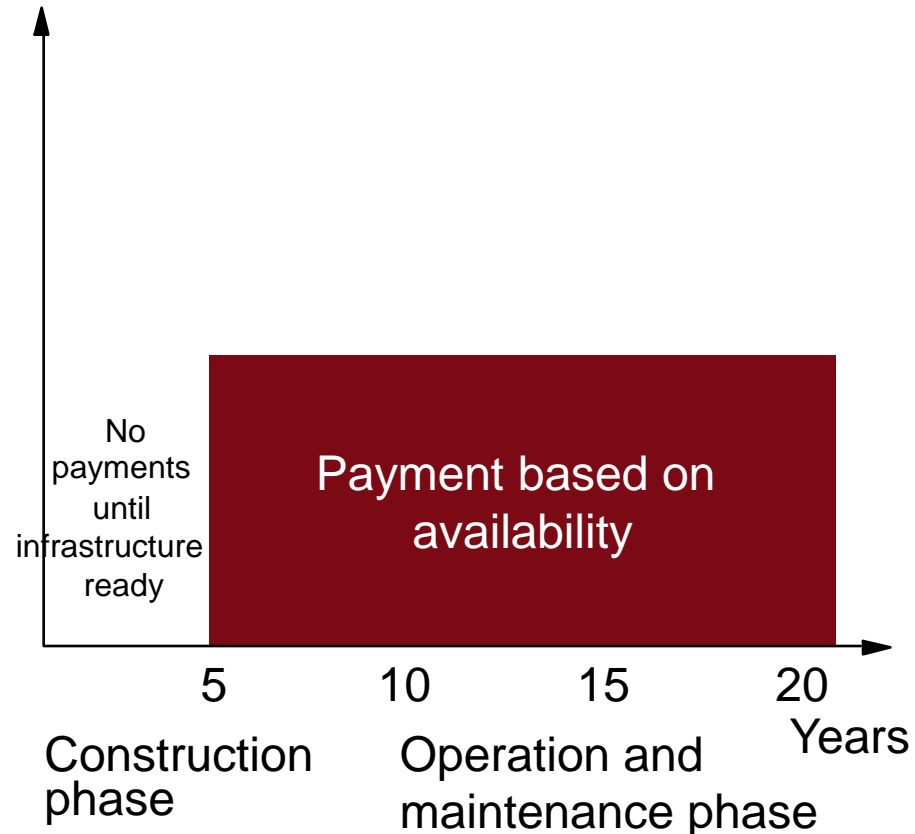
## Traditional Government Procurement

Payment profile - traditional



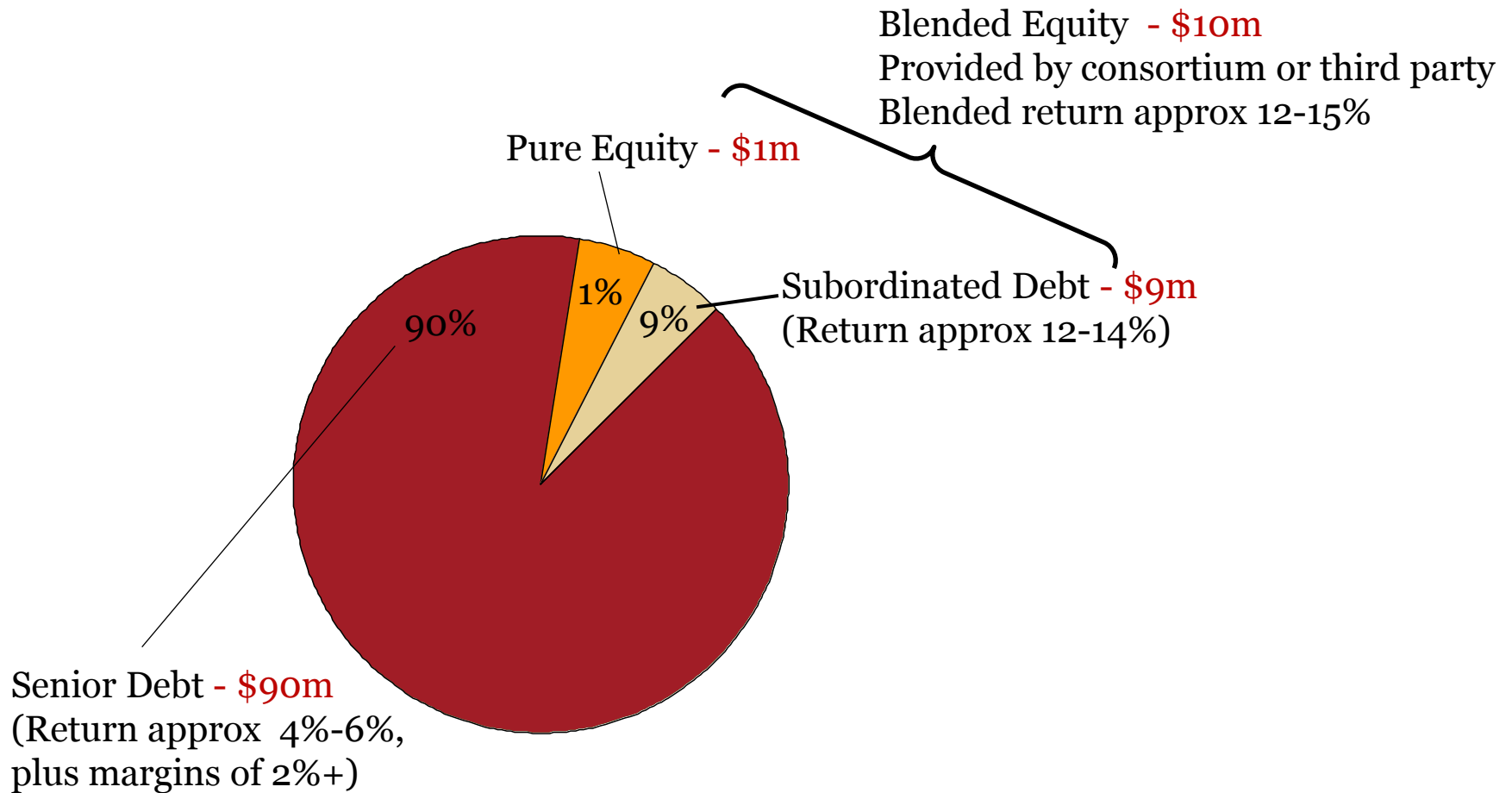
## PPP Procurement

Payment profile for the public sector





# Funding Example - \$100 Million Road



# *PPP procurement process*

# 4

## *Infrastructure Procurement in Aruba*

Typical process involves expression of interest, request for proposal during tender stage and preferred bidder appointment before a contract is signed and financial close is reached.



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## *Recognise the need to*

- Understand Public Authority's requirements
- Develop ideas
- Explore options
- Discuss solutions
- Agree about risk allocation

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***Risks should be allocated to the party best able to manage them***

***Public***

***Shared***

***Private***



- Planning permission
- Changes to requirements

- Force majeure
- Inflation
- Regulatory
- Taxation

- Design
- Construction
- Operating and maintenance costs
- Operating performance
- Technology obsolescence
- Project financing
- Latent defects

# *Case study*

## PPP Highway A15 – The Netherlands

# 5



# ***Case Study: PPP Highway A15 – The Netherlands*** ***And the importance of partnerships***

The single largest infrastructure project that has ever been awarded by the Dutch Ministry of Infrastructure and Environment

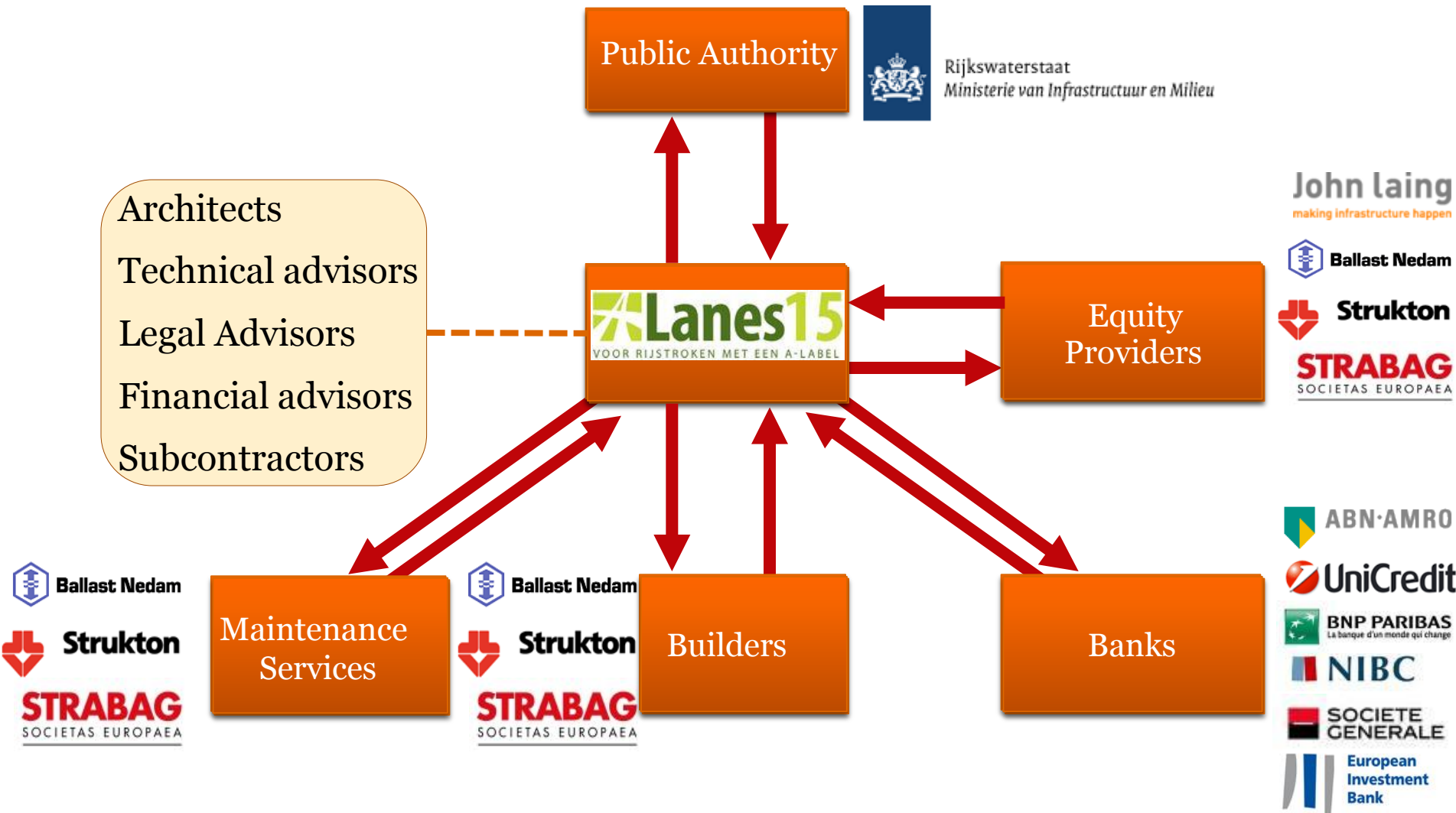
## **Project Facts:**

Location	Rotterdam (Netherlands)
Length	39 km
Size	EUR 1.5 billion
Close Date	14 December 2010
Sponsors	John Laing, Ballast Nedam, Strabag, Strukton
Banks	ABN AMRO Bank, BNP Paribas, NIBC Bank, Société Generale, UniCredit, European Investment Bank

## **Key contractual Features:**

- Term of 25 years (of which 20yrs operate)
- Challenging performance regime that should minimise inconvenience for road users during construction and operation.
- Constructors' challenges include life traffic and industrial pipeline areas with limited space available for construction activities.
- Challenges to designers include one of the largest moveable bridges in the world.

# Consortium Structure





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# ***The structures chosen may make or break a project. Be prepared!***

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