



PROPOSAL FOR A SUSTAINABLE CONCESSION MODEL

Intercontinental Hotel
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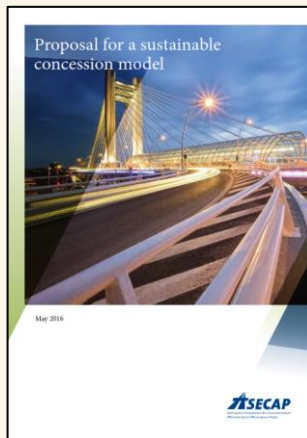
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AIM OF THE DOCUMENT

2014: “Evaluation and future of road toll concessions”

- ASECAP / PWC Report
- Different toll concession schemes
- Added value of toll roads
- Risk allocation schemes
- Different forms of funding
- European legislative framework
- Set of short term recommendations



2016: “Proposal for a sustainable concession model”

- Long term approach to foster the use of concessions in Europe
- Requirements needed for the successful development of existing toll concessions
- Requirements to foster future toll concessions
- Further harmonization of the legislation
- Set of long term recommendations

COLLABORATORS

ASECAP document but... reviewed by independent experts from the academic World.

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I. Introduction

II. Benefits of concessions

- II.1. Construction and operation of infrastructure – public or private task?
- II.2. The different road concession financing schemes
- II.3. The operation of the concession

III. Requirements for an efficient road concession model

- III.1. Stable legal framework
- III.2. Flexibility of concession contracts
- III.3. Operating in a harmonized and planned framework

IV. End of concessions

- IV.1. What the concession end implies
- IV.2. Alternatives after the expiration of a toll concession contract
- IV.3. The transition phase between concessionaires

V. Cases of new concessions

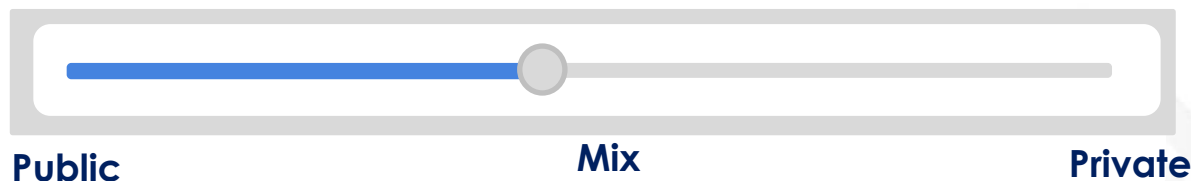
- V.1. Need of investments
- V.2. Public budgets cuts and maintenance deficit increase
- V.3. How to make projects viable
- V.4. Eurostat criteria
- V.5. Dispute resolution

VI. Toward an enhanced application of the EU principles and secondary rules, through a further harmonization of the legislation

VII. Recommendations

BENEFITS OF CONCESSIONS

Concession's shareholders



Advantages of concessions

- **Financing:** Cost funded by the concessionaire. Initial investment not constrain by public budget limitations
- **Efficiency:** Promotes market competition, flexible management
- **Better performance:** Better service, introduce costs-saving improvements, Implement innovative design and technology
- **Infrastructure:** Continuous investment on maintenance: Safest roads
- **Risk transfer:** Construction, operation, traffic,...
- **Cost reduction:** All operational costs allocated to the concessionaire
- **Know-how and expertise transfer:** Direct collaboration with specialized teams
- **Control:** Stricter control form the Government than public management
- **General economic effects:** Boost local economy, tax return, employment,...

- **Fairness** of the user-pays principle: social and foreign
- Comparison with **other modes**
- Efficient **use** of roads (demand)
- **Internalisation** of external costs
- No impact on **public budget**
- No impact on **public deficit**

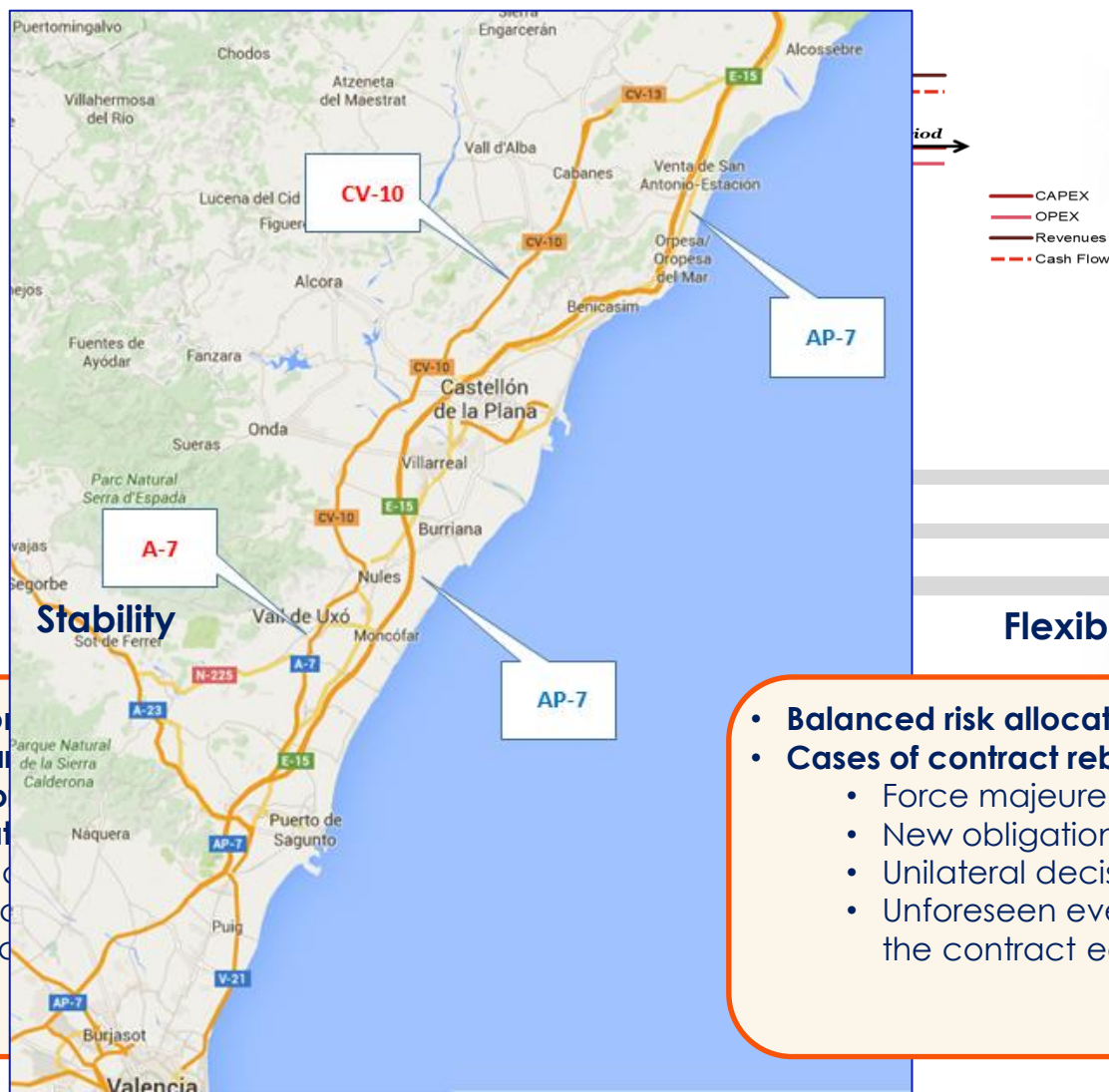
Payment of the facility

Tax-payer
Shadow tolls
Availability payments

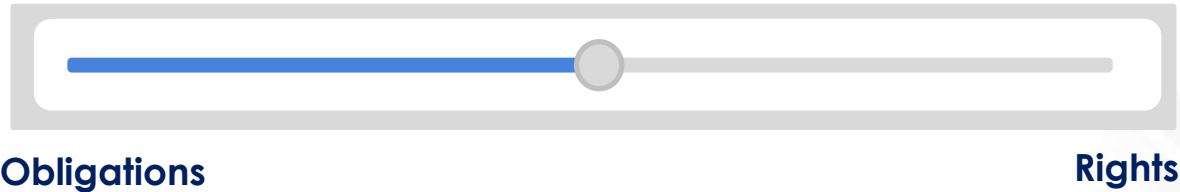
User-payer
Direct tolls



REQUIREMENTS FOR AN EFFICIENT ROAD CONCESSION MODEL



END OF CONCESSIONS

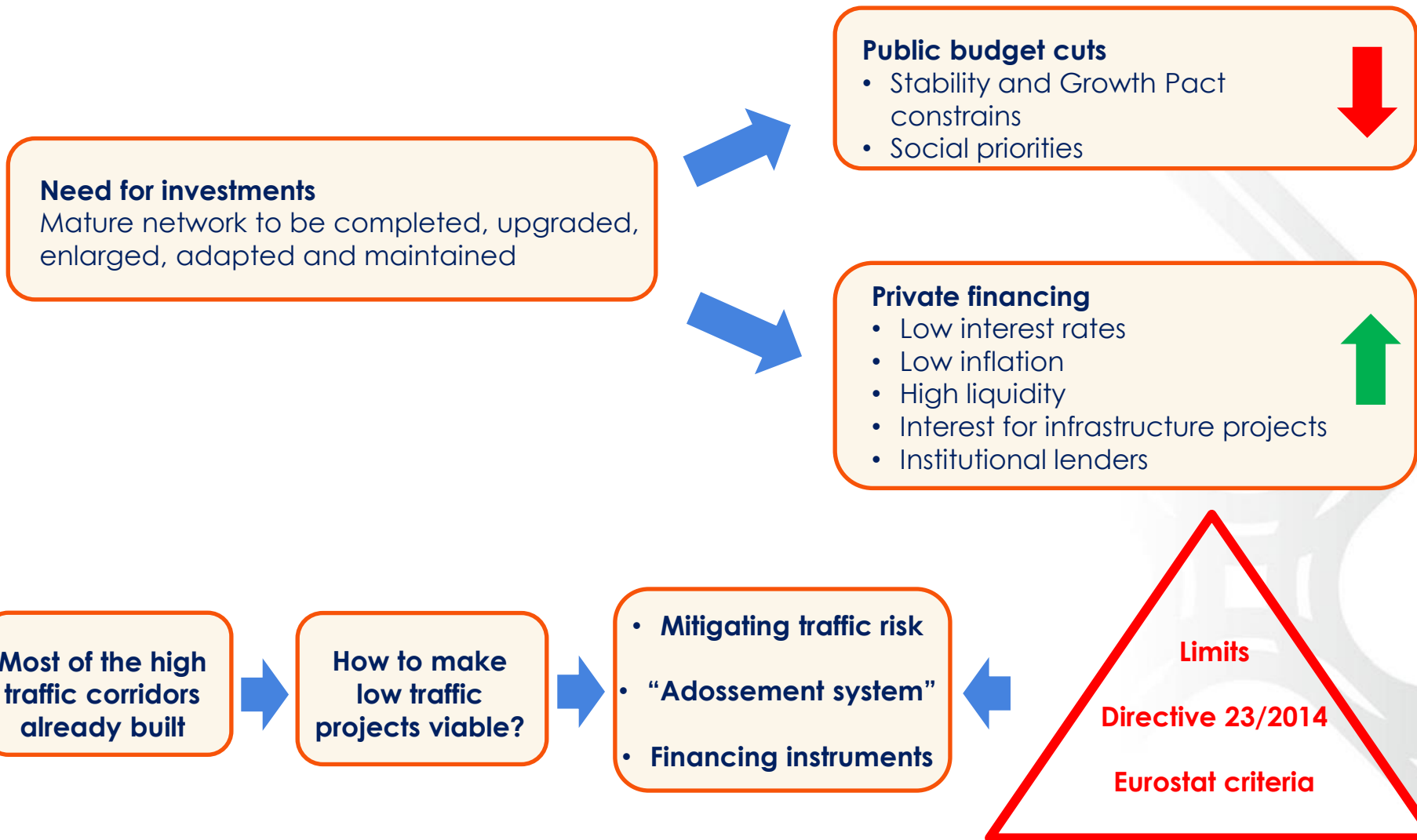


Alternatives after a concession contract ends

	Withdraw the tolls	Continue with tolls
Public integrated management	Is this sustainable	Operation and Maintenance
Concessionaire management	?	Additional investments + operation + maintenance New Public Procurement Reliable transition phase



NEW CONCESSIONS



HARMONIZE LEGISLATION ON CONCESSIONS INTEGRATING BASIC EU PRINCIPLES AND SECONDARY LAWS

Specific provisions of the Directive 23/2014/EU

- Transfer of risks => real transfer but not necessary all the risks
- Criteria for modification need to be analysed in depth. Mechanisms like the adossement should be permitted by the regulation.
- Inhouse operation => requires a specific discipline

Legal certainty/stability of the contract

- Administrations not prevented to modify contract but only under certain circumstances well defined and regulated
- Compensation to the concessionaire is always mandatory

Market Economy Investor Principle (MEIP)

- Public entities must respect the market behaviour and shall not affect the operation of the market.

Competition for the market

- Users 'rights are cornerstone on EU policies
- Matching of users 'rights with legal certainty and the legitimate expectations of contract concession

RECOMMENDATIONS

- Rec #1:** Strict and full **respect of the contracts** and of the legal framework to guarantee the correct deployment of toll concessions. Unilateral decisions that may alter the contract should be compensated for.
- Rec #2:** For mature concessions, ensure that the **termination of their contracts** is conducted correctly.
- Rec #3:** The legal framework should be reviewed to promote a wider use of the “**Adossement**” system.
- Rec #4:** When a toll concession ends, a new tender should be launched that incorporates i) additional **investments** in the facility itself and in others in the same area and ii) the long term **maintenance** of the concerned infrastructures.
- Rec #5:** For new contracts, a revision of the **risk allocation** schemes is needed: Concessionaires are willing to bear important part of the project risks, however these risks cannot be unlimited.
- Rec #6:** For future contracts with **limited traffic volumes**, new schemes such as **mix revenue schemes**, minimum income guarantee or variable concession period should be considered in order to make those projects viable.
- Rec #7:** Clarify **Eurostat criteria** to state that concession’s projects have **no impact on public deficits**.
- Rec #8:** Public-private partnerships in road infrastructure should continue to be promoted, based on a **pay-per-use scheme** (as and when possible).
- Rec #9:** Consider the introduction of a campaign aimed at **revising the current legislation** with the goal of an enhanced application of the EU principles and of the secondary rules.

THANK YOU!

