

PPP's lessons learned : perspective of Alstom Transport

World Bank, October 29th

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Alstom Transport : a truly global Railway
supplier

PPP's and concessions

Let's go into deeper details of some
contracts ...

Next projects to come ...

Alstom Transport : a truly global Railway
supplier

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ALSTOM

Equipment & services for power generation



Power Sector

● Transport



Equipment & services for
rail transport

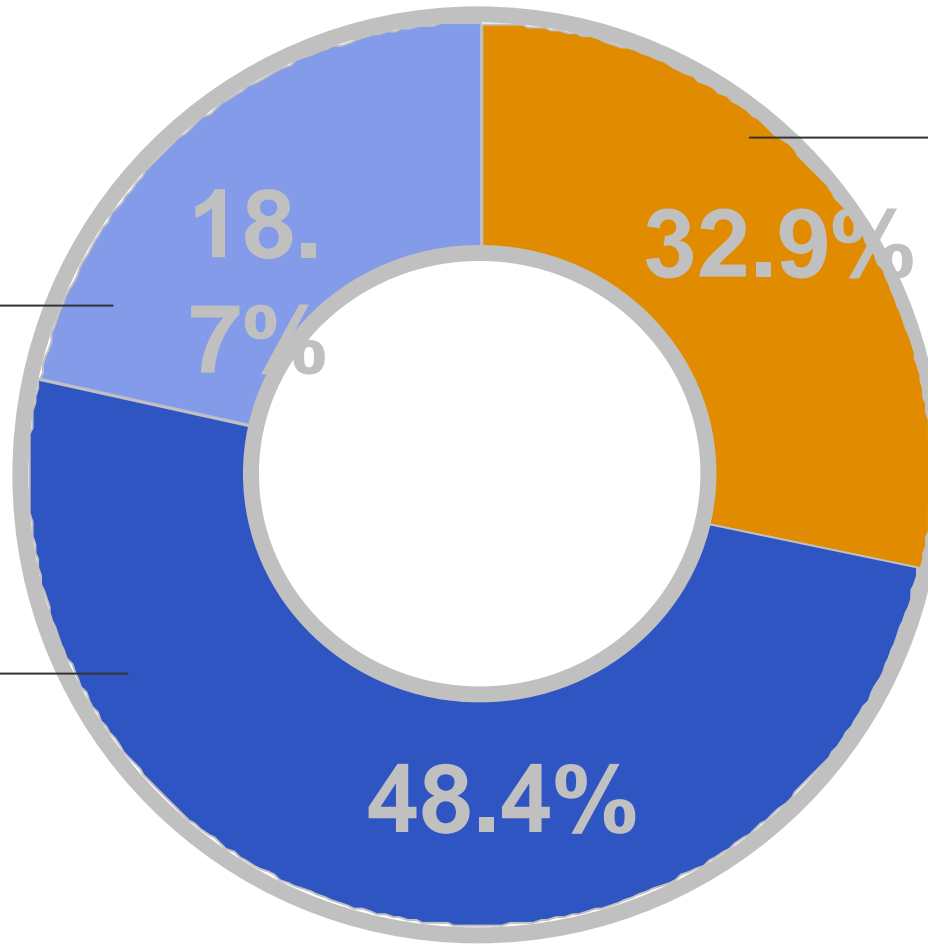
Power

Service

4.6 €bn

Systems

11.9 €bn



Transport

8.1 €bn

Total orders 2008/09 :
€24.6 bn

* worldwide in rail transport infrastructure

*Orders

makes 1 metro out of 4 and 1 tram out of 4



N° 1 worldwide
in high speed
and very high speed



N° 2 world
in urban transp
(metros and tra

worldwide in power generation infrastructure

supplies major equipment in 25% of the worldwide installed power generation capaci



worldwide
ed
nts



N° 1 worldwide
in hydro power*

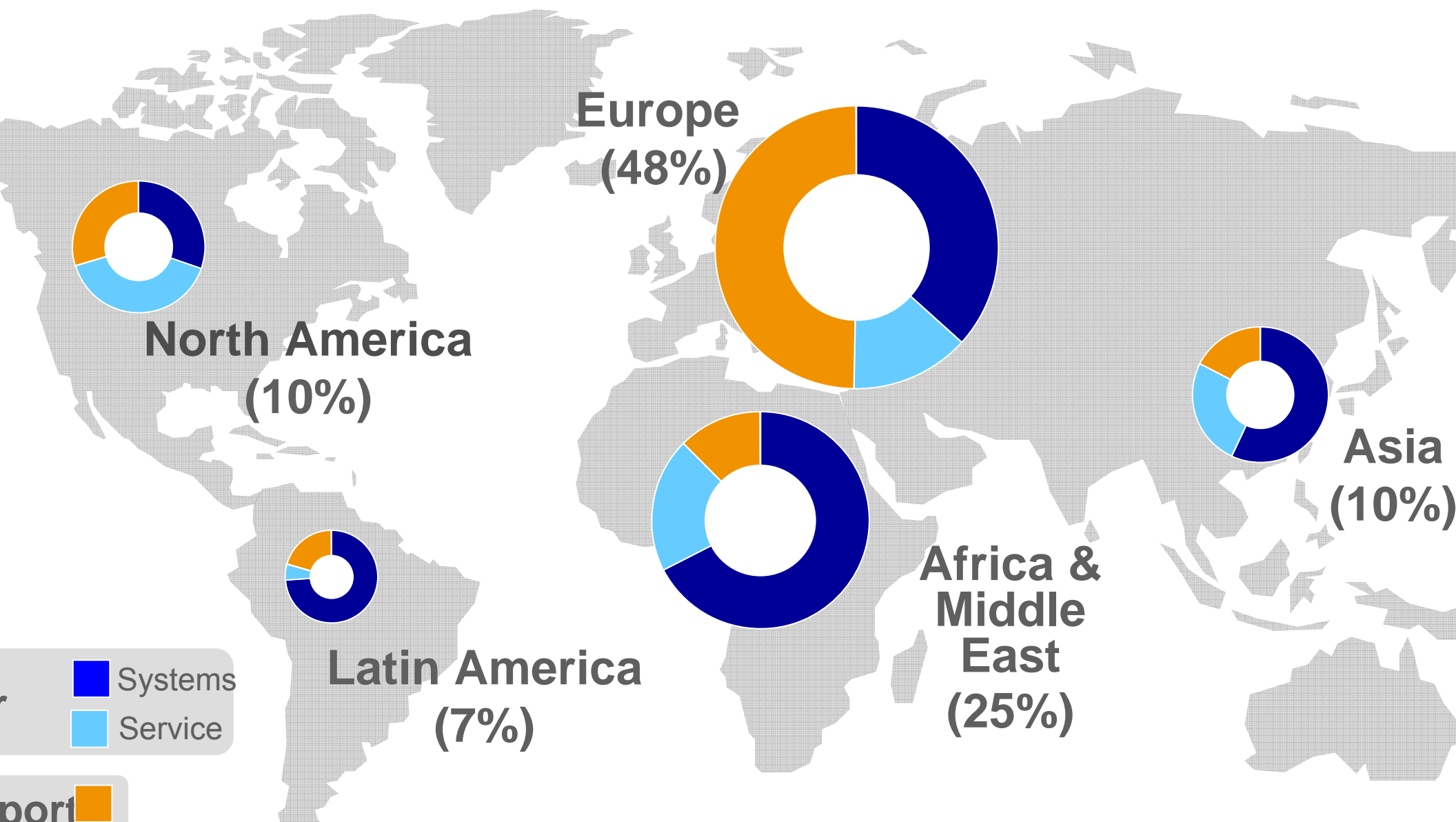


N° 1 worldwide
in air quality
control systems



N° 1 world
in services for
electricity utili

Orders by region and activity in 2008/09



The environment is the main driver for Alstom

Clean Power challenge



Environmental benefits
of rail transport



Extensive range of products and services

g stock: from trams to very high speed...

stance

Locomotives



High speed



**Very
sp**



Interurban



Regional



Tram



Metro



stance

▶ *Sp*

Extensive range of products and services

and the development of turnkey systems

structure



Signalling



Service and maintenance



Technologically leading products

IS

ation in « interoperable » drive systems



Integrated control centres

Global monitoring of complex transport s



powered from ground-level



AGV (350 km/h)

Fourth generation very high speed train



PPP's and concession

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ences

Manchester Metro Line 1 - UK 1990
UK's first light rail BOT; 26 km/26 vehicles

Rouen Metrobus Line 1 - France 1991
10-year concession; 11 km/28 vehicles

Arlanda Airport Link - Sweden 1994
5-year concession; 40 km line/7 EMU trains

Barcelona LRT Ph 1 - Spain 2000
8-year concession; 16km/19 Citadis LRV's

Barcelona LRT Ph 2 - Spain 2003
5-year concession; 14km/18 Citadis LRV's

Jerusalem LRT Line 1 - Israel 2004
10-year concession; 14km/46 Citadis LRV's

Florence LRT Lines 2&3 - Italy 2005
25-year concession; infrastructure

Milan metro Line 5 - Italy 2006
2-year concession; infrastructure

Reims LRT Line 1 - France 2006



Concession Project (BOT, BOO, DBFOM, PPP...) is a project which is implemented through a single contract :

the **construction of all or part** of a railway transport system

the **financing of all or part** of the construction **by the private sector**

the **operation and/or maintenance** of the railway transport system

the **revenues**, taking into account (part of) the **traffic risk and/or performance risk** (availability, reliability , ...)

« Concession Project » ALSTOM :

as its usual role of contractor / supplier / maintainer

acts as **shareholder** of a Special Purpose Company (SPC)

mobilizes private funding (equity, limited recourse financing) **to implement the Project and secure its scope of works**

- **Main advantages for customers**

Risk Transfers

Budget Control

On-time delivery

Substitute Capex by Opex

Margins are usually lower than lot by lot

As a system provider, ALSTOM's share bears almost all performance risks once the project is live, whereas its share will range from 20% on a High Speed Line, to 30% for a Metro and up to 80% for a tramway !

But it creates a long term relationship with customers.

It is a clear trade-off between short and medium/long term objectives

Contracting / ALL FORMS Subject to

Conceding

Concess

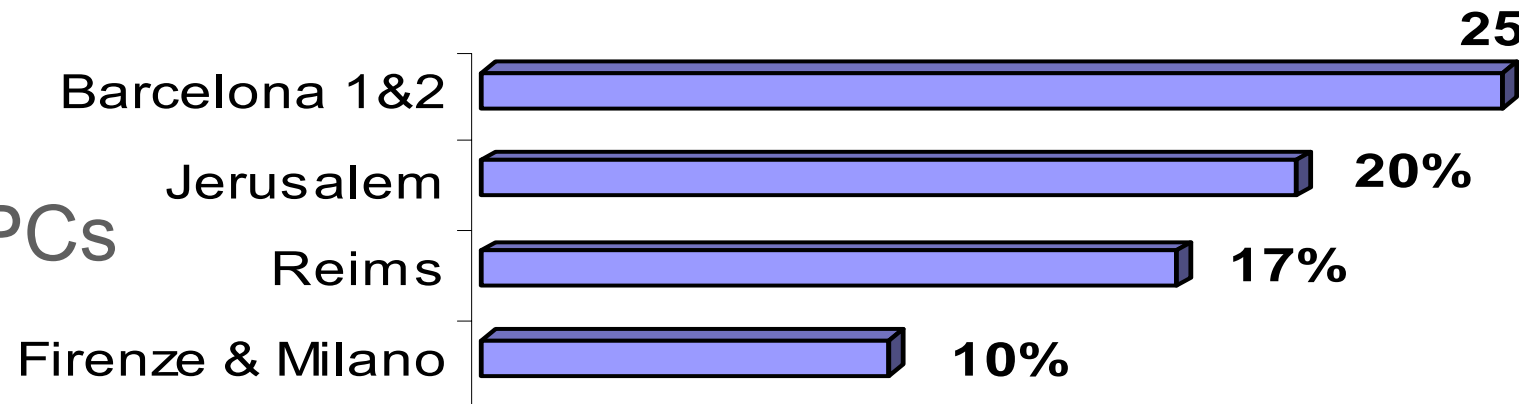
| | | | | | |
|-------------------------------------|---|---|--|--|---|
| Land acquisition | ▼ | | | | |
| Design & Construction costs | | | | | ▼ |
| Modification of standards and norms | ▼ | | | | |
| Operation and maintenance costs | | | | | ▼ |
| Exchange rate | | ▼ | | | |
| Ticket price | | ▼ | | | |
| Inflation | | ▼ | | | |
| Change orders | ▼ | | | | |
| Level of service | | | | | ▼ |
| Traffic | | ▼ | | | |
| Interest rate | | ▼ | | | |
| Technology | | | | | ▼ |
| New competition modes | ▼ | | | | |

erience

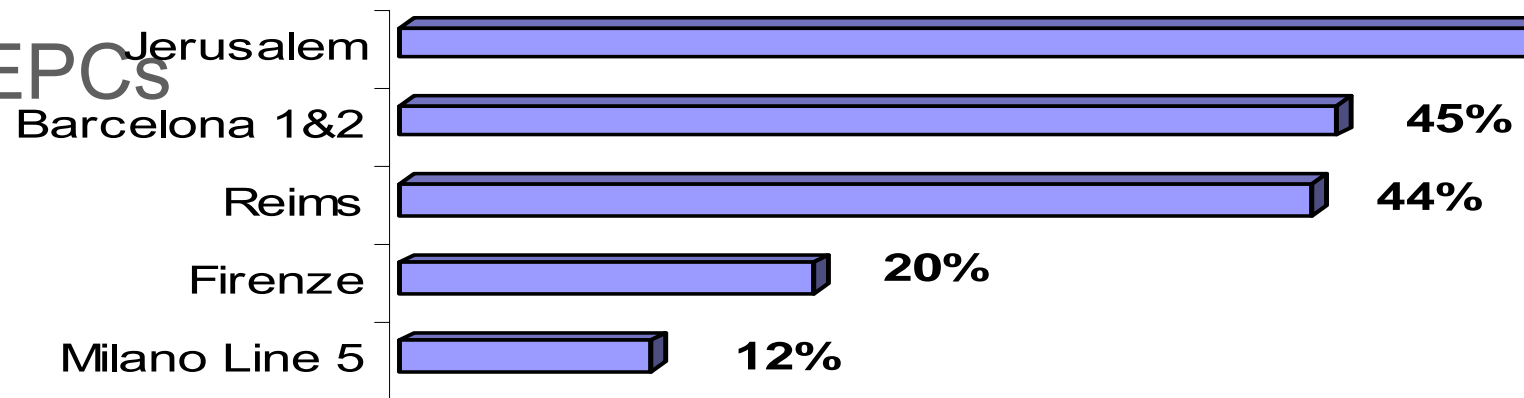
1 M EUR of equity invested in 6 SPCs in the last 6 years :

300 M EUR orders i.e. ~180 M EUR/year

participations in SPCs



participation in EPCs



orders obtained : 1300 M EUR or 180 M EUR/year

Concessions

General ALSTOM' s policy for concession project is to decide whether to follow them or not on a “case by case” basis

Our participation in equity must be preferably less or around 20% (to avoid possible debt consolidation risk); so we need to identify local potential partners (industrial, financial)

Our EPC scope of work must preferably be above 20% and include the maintenance (performance risk !!)

EPC scope > 50 M EUR

Contract duration : if it includes Rolling Stock, then corresponds to its lifetime, otherwise corresponds to maximum term of available loans.

Before the project is started :

- Specific department managing all aspects related to the concessions (development of the concession, management of external advisers, negotiations with lenders up to financial close and follow up, setting up and participation to the concession company)

During project phase :

- Project management
- Interface management between E&M systems and with civil works
- Design & supply of rolling stock and of all E&M systems (signalling, telecommunications, power, tracks,..)

concessions ?

Construction companies (Bouygues, Vinci, Astaldi, FCC....)

Interested primarily in the EPC contract turnover and margin – can take substantial equity position and may have different policy regarding securities

Operating companies (Veolia, Transdev, RATP, SNCF, Keolis , MTR, C, CERCO...)

Interested primarily in O&M contract turnover and margin – take generally small equity position (Reims is an exception)

Banks (HSBC, CALYON, SG, DEXIA, MEDIOBANCA, BNP...)

Interested primarily in services (financial advisor) and as arrangers / underwriters – can take equity and/or quasi-equity positions when acting as investment fund managers

Other investors (Infrastructure investment funds, Insurances, Pensions...)

Let's go into deeper details of some contracts

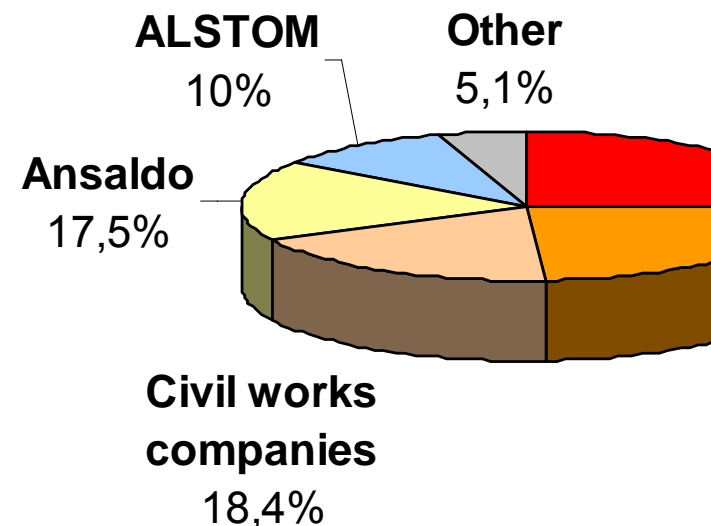
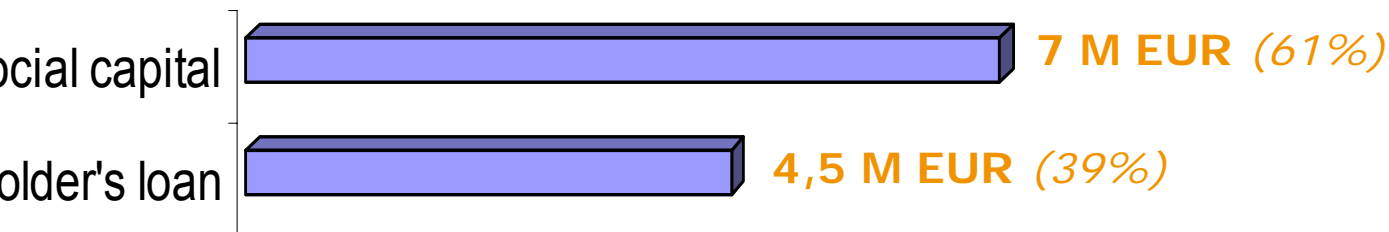
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Scope of Concession

- Construction of lines 2 (9km) and 3 (4,5km) of the tramway
- Operation & maintenance of lines 1, 2 and 3 during 30 years

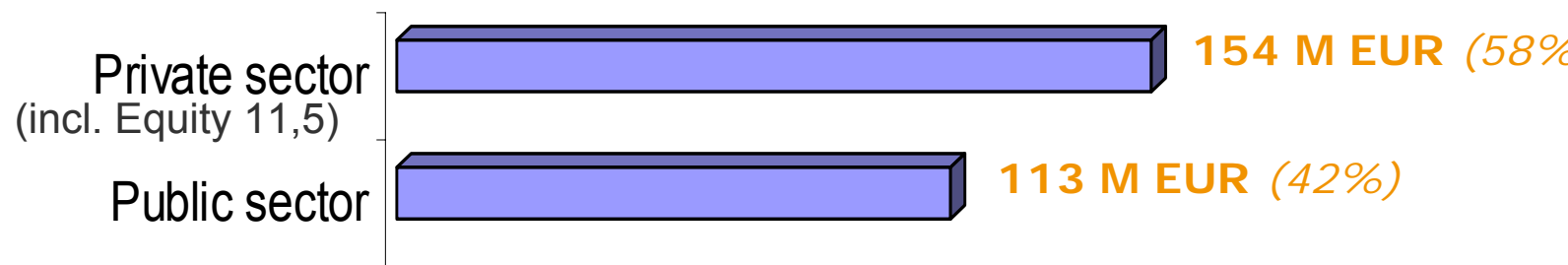
Equity/Shareholders : 11,5 M EUR



ALSTOM scope of work

- **44 M EUR** → 20% of the EPC contract including part of track & electrification

Financing



Concession Contract signature – Financial Close

- Concession contract & financing documentation signed in June 2005

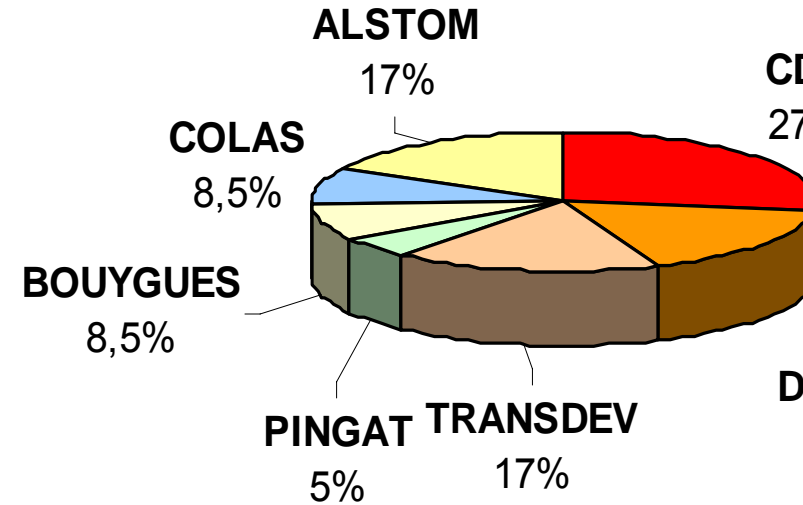
REIMS tramway concession

Scope of Concession

- Construction of a 11 km tramway line including civil works, 18 Citadis 302 and electromechanical systems
- Operation & maintenance of bus network & tramway line during 30 years

Equity/Shareholders

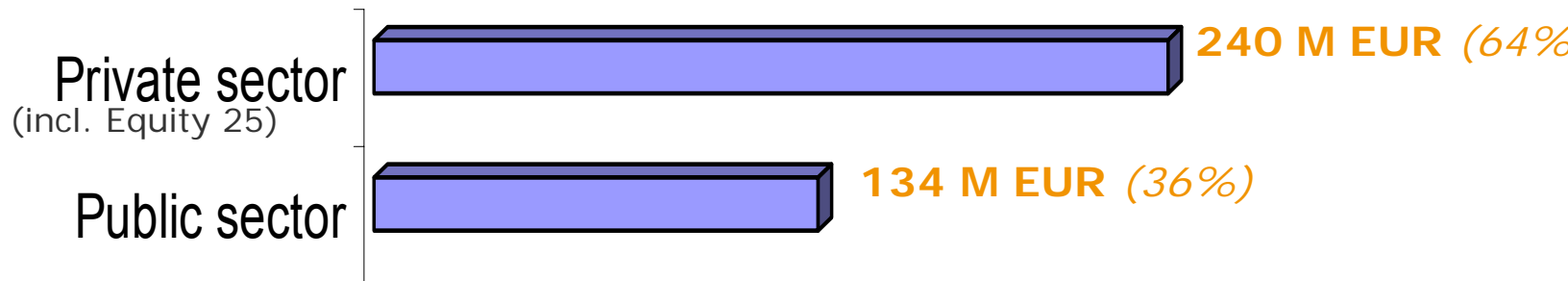
- 25 M EUR social capital + shareholder' s loan + mezzanine debt



ALSTOM scope of work

- 242 M EUR → 44% of the EPC contract including rolling stock and electromechanical systems (track shared with Secorail) + 120 M EUR maintenance

Financing



Concession Contract signature – Financial Close

Concession contract signed in 07/2004 – FC expected in 03/2008



SCOPE:

Design, financing, construction, operation and maintenance of the tramway line, passenger stations and park and ride facilities.

Restructuring, Operation and maintenance of the bus network and related works.

SCHEDULE:

Publication: March 2006

Tender submission: January 2006

Concession contract: July 2006

Financial close and start of works: July 2008

Operation of the tramway during 30 years from April 2011

Operation of the buses started in 2008

Reims Métropole

Concession Company

Mobilité
Agglomération
Rémoise



Financing

Groupe Caisse d'Épargne
BEI

EPC Consortium

ALSTOM Transport
BOUYGUES Group

Operation
and maintenance
Company

TRANSDEV

MARS Shareholders:

Builders : ALSTOM Transport / BOUYGUES Group (Colas, Bouygues
Quille, Pertuy Construction)

Engineering: SNC-LAVALIN (Pingat Ingenierie)

Operator: TRANSDEV

Banks: Caisse d'Épargne Champagne Ardenne / FIDEPP

Construction period

- Equity and Senior debt : 60 %
- Investment subsidy : 40 %

Operation period

- Operating subsidy :
 - Fixed part : 20 %
 - Variable part : 55 %
- Farebox bus + tramway : 25 %

Next projects to come .

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Petersburg LRT (Russia) : bid stage

concession for design, build, partly finance, operate and maintain
for 30 years – no traffic risk – availability payments.

Birmingham Express Transit Phase 2 LRT (U.K.) :

development stage

concession for design, build, partly finance, operate and maintain
the new Phase 2 and the taking over of the operation and
maintenance of the existing Phase 1 – mixed of traffic risk and
availability payments (not confirmed)

Roma Metro Line D (Italy) : bid stage

concession for design, build, partly finance, operate and maintain
for 25 years of the 20 km long underground metro line D (3
phases) – no traffic risk – availability payments

Spanish LRT's : various LTR's are expected to be tendered

Tours Bordeaux High Speed Line (SEA – France) : bid
age

concession for design, build, partly finance, and maintain dur
0 years of the high speed line between Tours and Bordeaux
traffic risk.

Contournement Nîmes – Montpellier (CNM - France) :
qualification stage

concession for design, build, partly finance, and maintain dur
4 years – no traffic risk – availability payments.

Bretagne Pays de Loire High Speed Line (BPL - France)
qualification stage

concession for design, build, partly finance, operate and main
uring 15 years the high speed line between Le Mans and Po

→ Porto Lisboa High Speed Line (RAVE -Portugal) : b stage

construction of a 600 km long high speed line between Vi
Porto – Lisboa – Elvas/Bajadoz

6 PPP will be tendered, 1 for signalling and
telecommunications for the whole line, and 5 for different
sectors of the track line

Rolling stock will be a public tender

→ Other opportunities to be confirmed:

Lyon-Turin (France-Italy)

Basel-Brennen Tunnel (Switzerland-Italy)

VHS California (USA)

TAV (BRAZIL)

Lessons learned ...

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constraints

Time to secure finalization of contract : often underestimated by new players

High costs for the tenderers : projects are complex

Forecast of the traffic level : issue for concessions, especially in developing countries

Impact of financial crisis : banks are less prone to b investments

If not acceptable, ALSTOM can still act as a sub-contractor ...

Major success factors

Past experience of the country for such projects

Sustained political support to the project

Adequacy of legal concession frame with international standards

Realistic assessment of the investment cost and/or of the revenues of the passenger traffic at the 'feasibility' stage

The conceding authority must have the financial capacity to support the project

Well-balanced risk sharing between the conceding authority and the concessionaire

Strong committed, experienced, international and local partners for construction, operation, and financing

Limited number of partners at Concession and EPC level

Strong ALSTOM presence in the country or capacity to

Invest upstream to create adequate political and legal
frame

Be selective : a too complex environment will never attract
investors

Investment from public authority (financed by World Bank
is a must : at least 40 to 50% of total to make the project
happen

Allow use of Export Credit from Supplier to leverage
additional support

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