New Financing Trends

Nearly worldwide, the market is facing a new model for financing a part of the infrastructure projects: the Public Private Partnerships, or PPPs. It appears interesting to the ITA to give to the tunnelling community a look on what might change in the relationship between the stakeholders to the project, from the owner to the contractors and operators. The audience to the session might be composed largely by engineers or participants to the construction chain including owners.

In a classical public procurement model applied to the large infrastructure schemes, the things are quite well known and similar from a country to an other, even with some changes from the local regulations. Based on its needs, the owner defines the operational objectives and the program of investment for the infrastructure. He defines the construction parts to the project, here the tunnels, with the help of an engineer he appoints for. The engineer specifies the technical and economical description of the project and elaborates the terms of reference for a bidding procedure the contractors will answer to. The contractors are selected on the basic solution or an alternative and build the projects under the direction of the engineer. The liability scheme is strongly variable depending on the countries national regulation; based on it, each player set in place the adequate cover of his own liability.

In a PPP scheme, some main changes occur in the relationship between the stakeholders. The public owner is asking for a combined technical, operational and financial answer to its needs. This answer is based on a level of definition of the project which might vary a lot depending on the local regulations and the ability of the owner, only to mention some of them. The answer is brought, through a competitive dialog procedure or similar, by a dedicated body (SPV: Special Purpose Vehicle) which gathers financial, design and construction, operational capacities, not forgetting the liability component. Most often, the SPV subcontracts the civil and equipment works, design and construction, to a SPC (Special Purpose Company) in charge of building the
infrastructure. The SPV is liable not only for a construction target but mainly for an operational one and, both, for a long period of time. It appears quite clearly that the design and construction chain is deeply modified as well as the consequences in any failure in the operations in the life of the project.

Who is interested in such an evolution and why? Which are the roles of the stakeholders? Why are they different to a classical procedure? Who is liable for what?

To know more

ITA WTC’07 Prague - Open Session papers on New Financing Trends and Consequences on the Tunnelling Contracts

- "The European Perspective" H. Marty-Gauquié of the European Investment Bank
- "Why to invest in concession business?" V. Piron of Vinci
- "New Financing Trends / Change in the economical approach from the Investor’s and Tunnel-Contractor’s point of view" M. Holfelder and A. Speer of Bilfinger-Berger
- "PPP for tunnels – Perspectives for engineering firms?" Y. Leblais
- "Insurance Cover as Part of the General Risk Management Strategy" H. P. Wannick of Munich Reinsurance Company
- "PPP Potential in the Czech Infrastructural Transportation Projects" E. Šíp, Deputy Minister, Ministry of Transport of the Czech Republic