



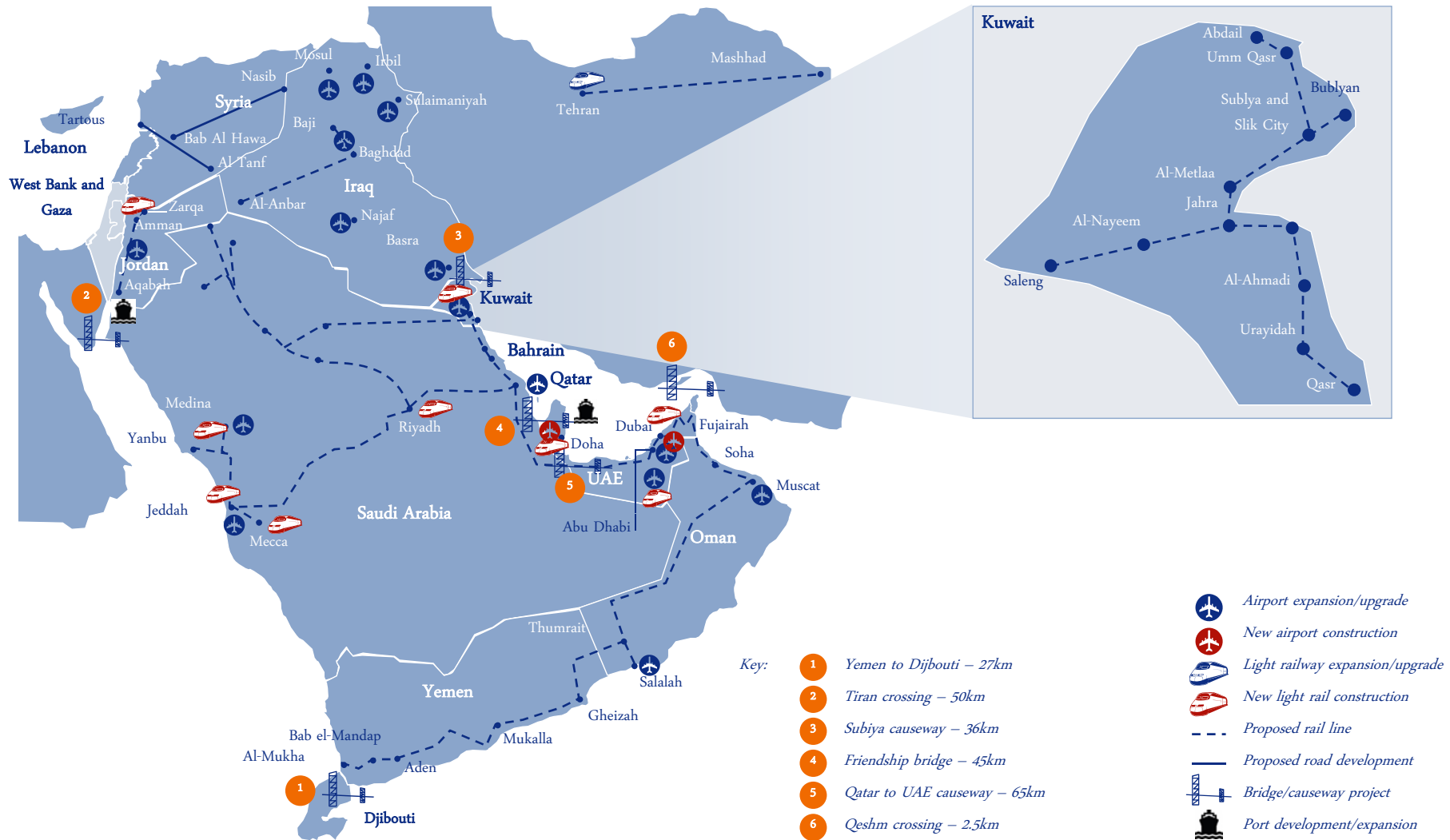
CORPORATE FINANCE

Syria PPP Conference

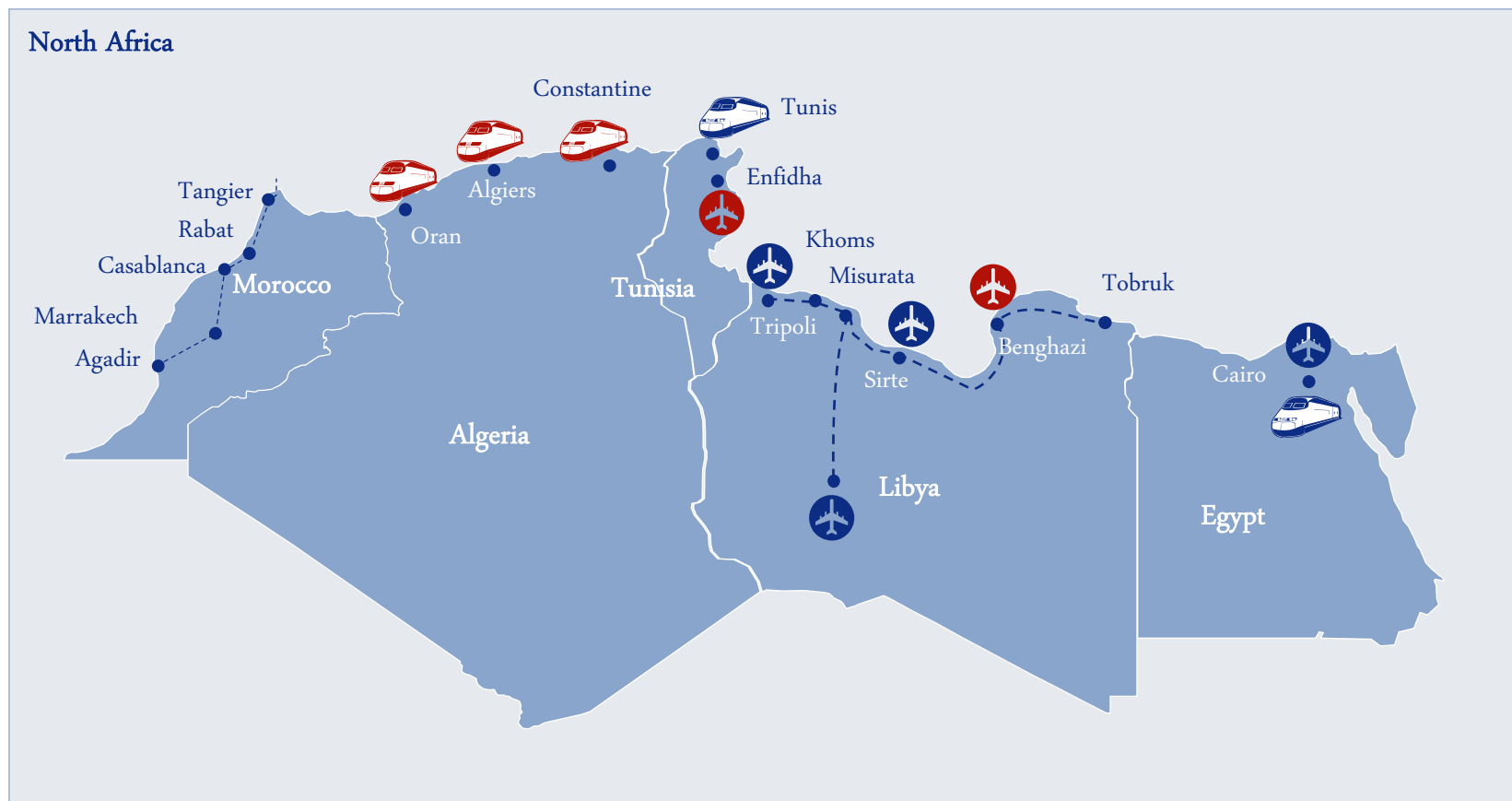
The challenges of procuring PPP transport infrastructure

ADVISORY

\$100+ billion capital investment in transport infrastructure



\$100+ billion capital investment in transport infrastructure






- Key:
- Airport expansion/upgrade
 - New airport construction
 - Light railway expansion/upgrade
 - New light rail construction
 - Proposed rail line
 - Proposed road development
 - Bridge/causeway project
 - Port development/expansion

Failed or aborted PPPs



Key:

-  Light railway expansion/upgrade
-  New light rail construction
-  Proposed heavy rail line

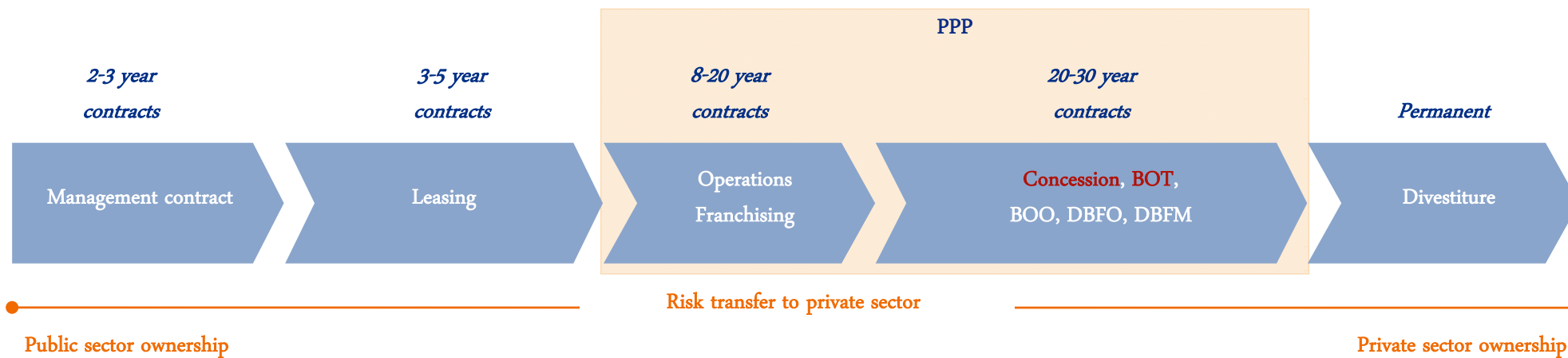
The key challenges for transport PPPs

- Flawed rationale for PPP
- Inflexible procurement models and legal frameworks
- Revenue risk
- Finance
- Skills

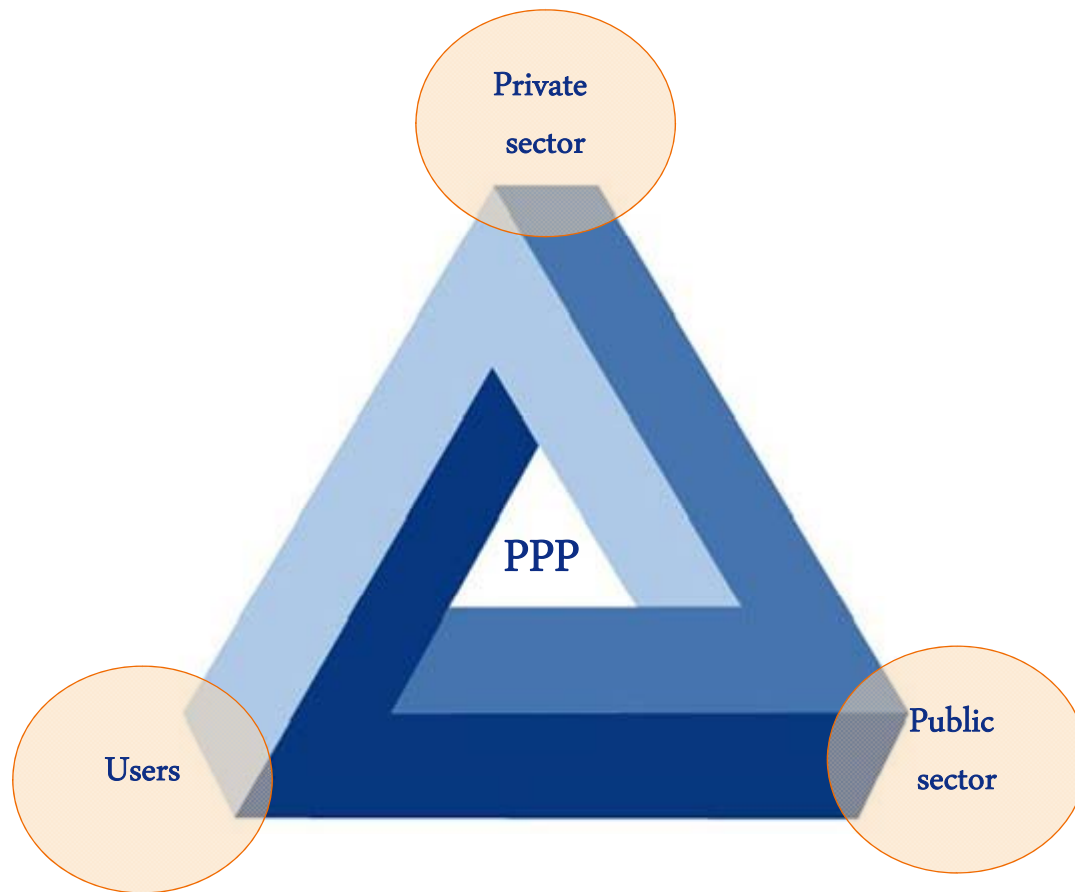
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Railway procurement models



An impossible balancing act?



Key objectives and constraints

Users

- Service and quality
- Routes
- Tariff/fare levels

Public sector

- Rapid delivery
- Affordability and cost risk
- Policy and control

Private sector

- Demand risk
- Political risk
- Return

The key challenges for transport PPPs

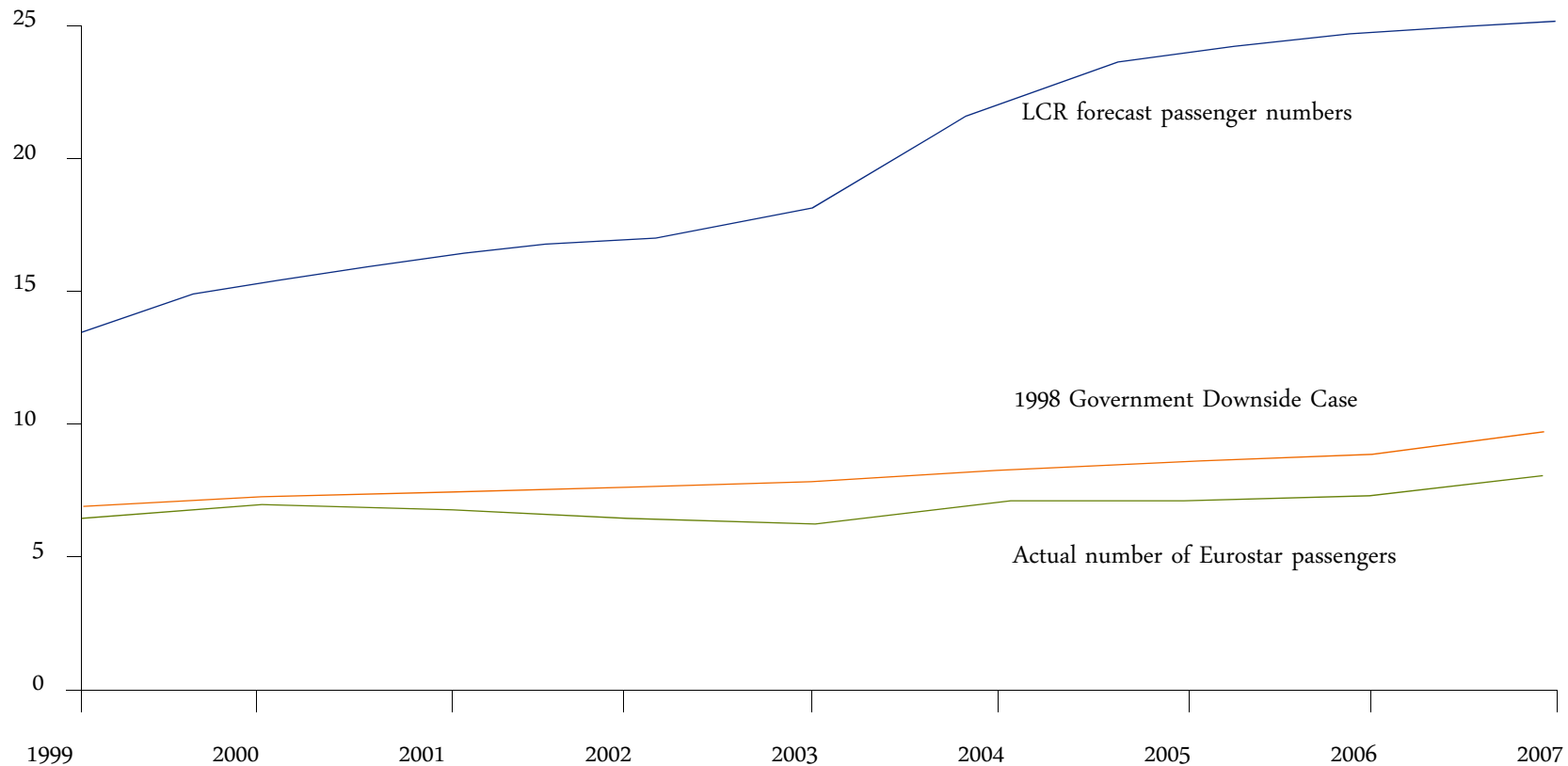
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When demand risk forecasting goes wrong



Case study: Eurostar demand projections

Annual number of Eurostar passengers (million)



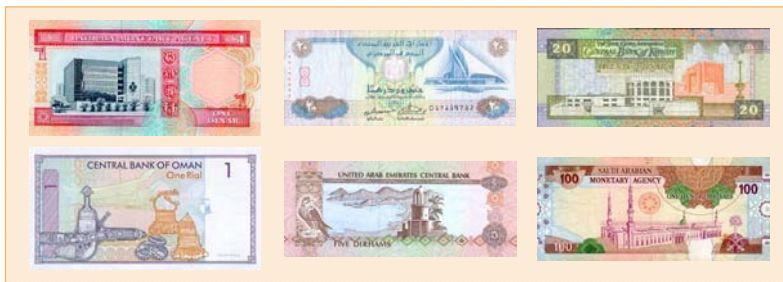
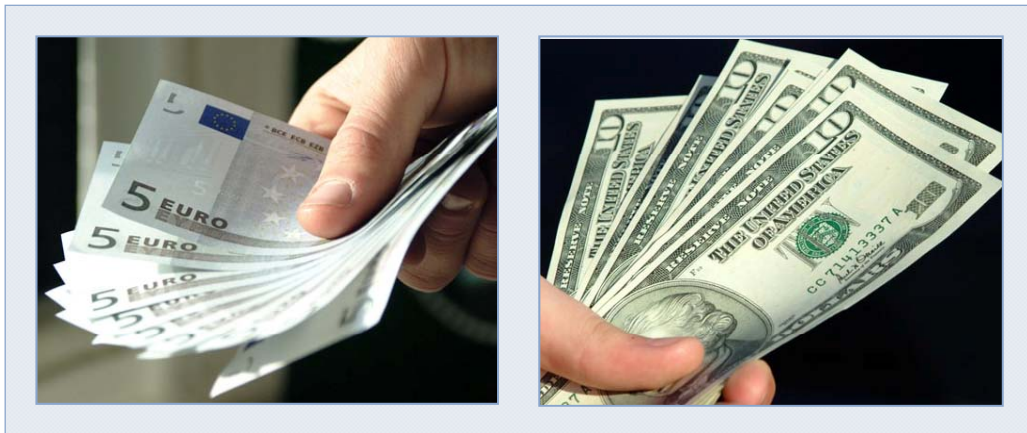
Demand risk

- Currently almost impossible to pass this risk to the private sector
- Some bounded risk transfer might just work
- For most greenfield projects, probably better not to transfer

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Finance



International finance market

- Euro and dollar dominate PPP finance market
- FX protection required
- Not a long term solution

Local finance market

- Local and regional lender appetite limited but increasing
- Tenor is a challenge
- FX and IR hedging often difficult

Finance: maximising sources

- Development banks / multilaterals
- Export Credit Agencies
- Islamic finance
- Capital markets

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