



How rail projects can attract new investors and make the best use of EFSI?

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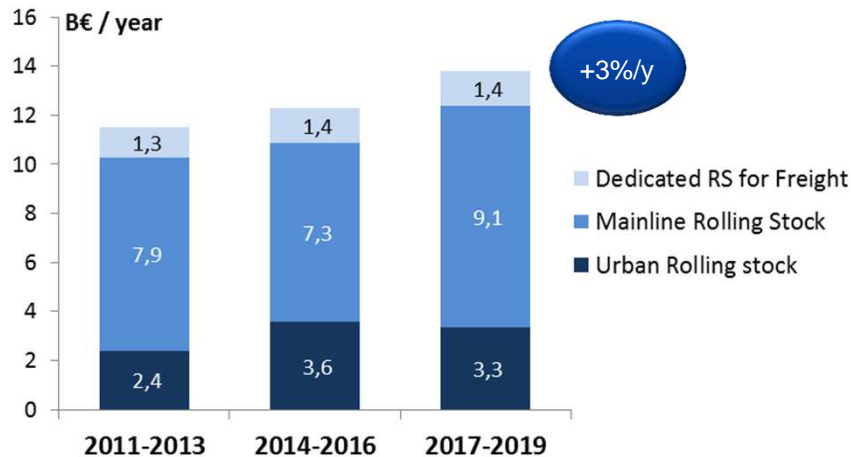
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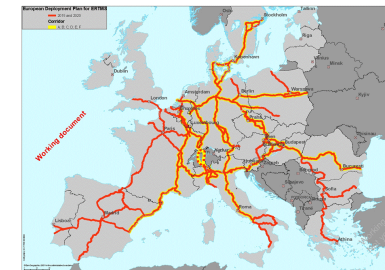
Massive investment need in the Rail sector in Europe

UNIFE 2014 Market Study Perspectives:

- €14bn / year rolling stock Investment needs



- ERTMS deployment: a sustained market of 1 B€ per year.
- Green urban rail systems (track, electrification, signalling and rolling stock):
 - A metro line has a cost in average of 2bn€ with the system being about 30% of the total
 - A tramway line, sized for cities of above 300 k inhabitants, has a cost between 300M€ and 600M€ with the system being about 50% of the total



EFSI is available but who can sustain investment on its balance sheet?

■ Operators :

- Private bodies, or state owned but without state guarantee.
- Aim is to provide a service, not to invest.
- Cannot acquire Rolling Stock or asset in view of their low capitalistic structure

■ Suppliers :

- Balance sheet fit to develop and produce the product or engineer a system and sell it
- Cannot keep the assets in their books
- Cash availability during production is key and must be available to supplier during production

■ Local or State authorities :

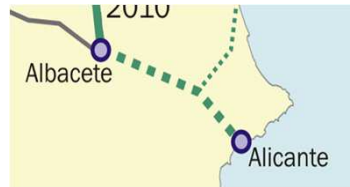
- Indebtedness is already too high
- Need to deliver a service to the people not an asset
- Ideally shall pay at the same time the service is delivered to the public

No one is really able today to hold the debt on its balance sheet despite the rail asset is lasting for more than 30 years.

No example in the past of rail asset scrapped before life amortization.

➤ **To develop rail infrastructure with the help of EFSA, we need to structure accounting schemes that permit to align usage with annual costs in authorities' accounts**

Past examples of Rail projects that show what kind of project could make use of EFSI in the future



Alicante Albacete ERTMS HSL

Contract type : PPP DBFM

- Length : 20 years
- Private financing : 63 %
- Maintenance fee payment in addition to asset fee payment

165 km including :

- **ERTMS 2 signaling / interlocking**
- Centralized traffic control and safety installations,
- Fixed & mobile Telecommunications (GSM-R)
- Related energy and civil works

Project history :

- > No traffic risk, availability payments made on performance
- > 14 months between publication and financial close
- > 50 % of selection criteria based on maintenance cost and organisation

Main milestones :

- Contract signature : January 2012
- Commercial operational phase : January 2014

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Nottingham LRT

Contract type : Concession DBFOM

- Length : 30 years
- Private financing : 60 %
- Mix of traffic risk and availability payment for the Private

17 km lines 2 & 3 including Rolling Stock:

- 22 LRVs, Power supply, signalling, track, System engineering
- Civil Work
- Operation & Maintenance

Project history :

- > existing line one to be complemented by 2 new lines
- > 12 months between award and financial close
- > Selection criteria based on NPV after an eliminatory technical qualification

Main milestones :

- Contract signature : December 2011
- Financial Close: December 2011
- Revenue service phase for new lines: August 2015

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How to make use of EFSI and other available funds?

- **EU ambitions for EFSI:** mobilize EUR 315 bn in 3 years (15x leverage), under an EU guarantee of EUR 21 billion
- But today **very poor pipeline in rail** for EFSI (one only pure rail project)
- Need to work on schemes that **do not lead to debt consolidation** on either the operator, the supplier or the authority for investing in rail assets:
 - that have a long lifetime,
 - and are connecting Europeans (ERTMS or TEN-T) or promoting green city (urban rail systems), addressing the challenges of transport decarbonisation.
- With **Eurostat**, we ought to define schemes that:
 - Are bankable,
 - Do not consolidate investment on the authority's accounts,
 - Do not impose risks on the private sector that it cannot manage efficiently like traffic risk.
- This could be:
 - Availability-based PPP that are bankable but not consolidating
 - Rosco that get long term commitment of the rolling stock usage by the authority

UNIFE's involvement on Investment and Project Financing



- To work on financial stimuli, UNIFE created in the beginning of 2015 a dedicated **Expert Group on Investment and Project Financing**
- Intensive work within the industry on new innovative sources of financing
- Regular working meetings with the European Commission, the European Investment Bank and private investors
- Together with CER, UNIFE is an official Partner of the **EP Long Term Investment Intergroup**





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