



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

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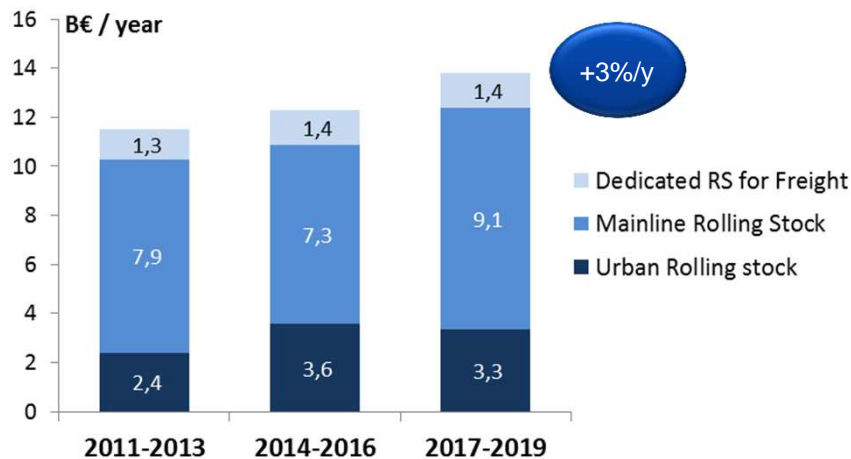
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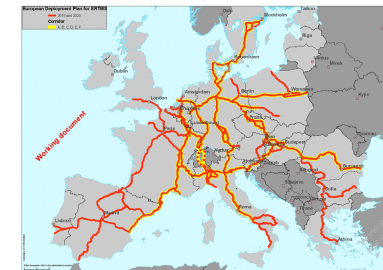
# Massive investment need in the Rail sector in Europe

## 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 :

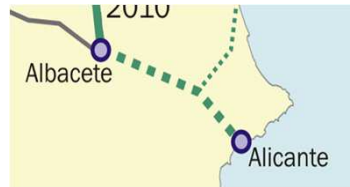
- Indebtedness is already too high
- Need to deliver a service to the people not an asset
- Ideally shall pay at the same time the service is delivered to the public

**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

ALSTOM - 15/07/2016 – P 4



## 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

# 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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