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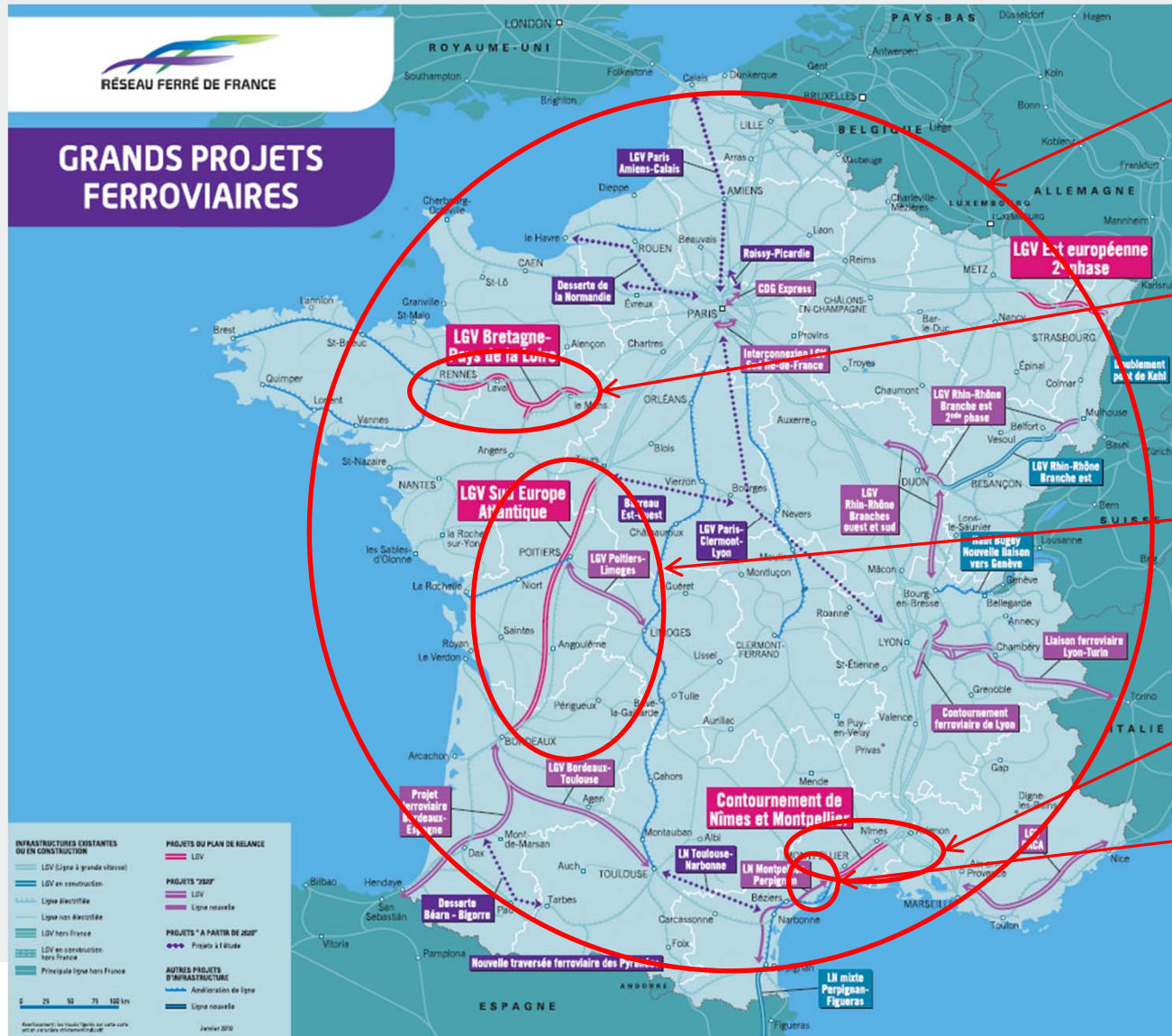


Public Private Partnership Schemes and Railways Financing
PPP Projects for the Railways Network in France
Geneva / November 07, 2012

Gweltaz GUIAVARC'H
Head of Major Projects & PPP Support Service
Major Projects Division



PPP Projects for the Railways Network in France



1) GSM-Rail (Telecoms) : around 14,000 km to cover by GSM-R

2) HSL Brittany Pays-de-Loire (BPL) between Le Mans and Rennes : 180 km (and 30 km of connexions)

3) HSL South Europe Atlantic (SEA) between Tours and Bordeaux : around 300 km (and 40 km of connexions)

4) HSL Nîmes-Montpellier Bypass (CNM) : 70 km (Mixed Link HSL / Freight)

5) Montpellier Odysseum New Railway Station

Railway Majors Projects in PPP

RFF Majors Projects	Contracts Type	Planning	Amount of the transaction	Contract Duration
GSM-Rail	DBFM Availability payment	Closing in March 2010	1,5 b €	15 y
HSL SEA (Tours / Bordeaux)	Concession contract	Closing in June 2011	8 b €	50 y
HSL BPL (Le Mans / Rennes)	DBFM Availability payment	Closing in July 2011	3,4 b €	25 y
HSL CNM (Nîmes / Montpellier)	DBFM Availability payment	Closing in June 2012	1,8 b €	25 y
ODYSSEUM (New Railway Station in Montpellier)	DBFM Availability payment	Tender launch in July 2012	75 M€	30 y

RFF's portfolio of PPP projects : around € 15 billion

Why PPPs for the French Rail Network ?

The Standard Model of Public Procurement is under a specific law to the public's owners (buildings or infrastructures) : « loi MOP » n°85-704 from July 12 1985.

- **Constraints:**

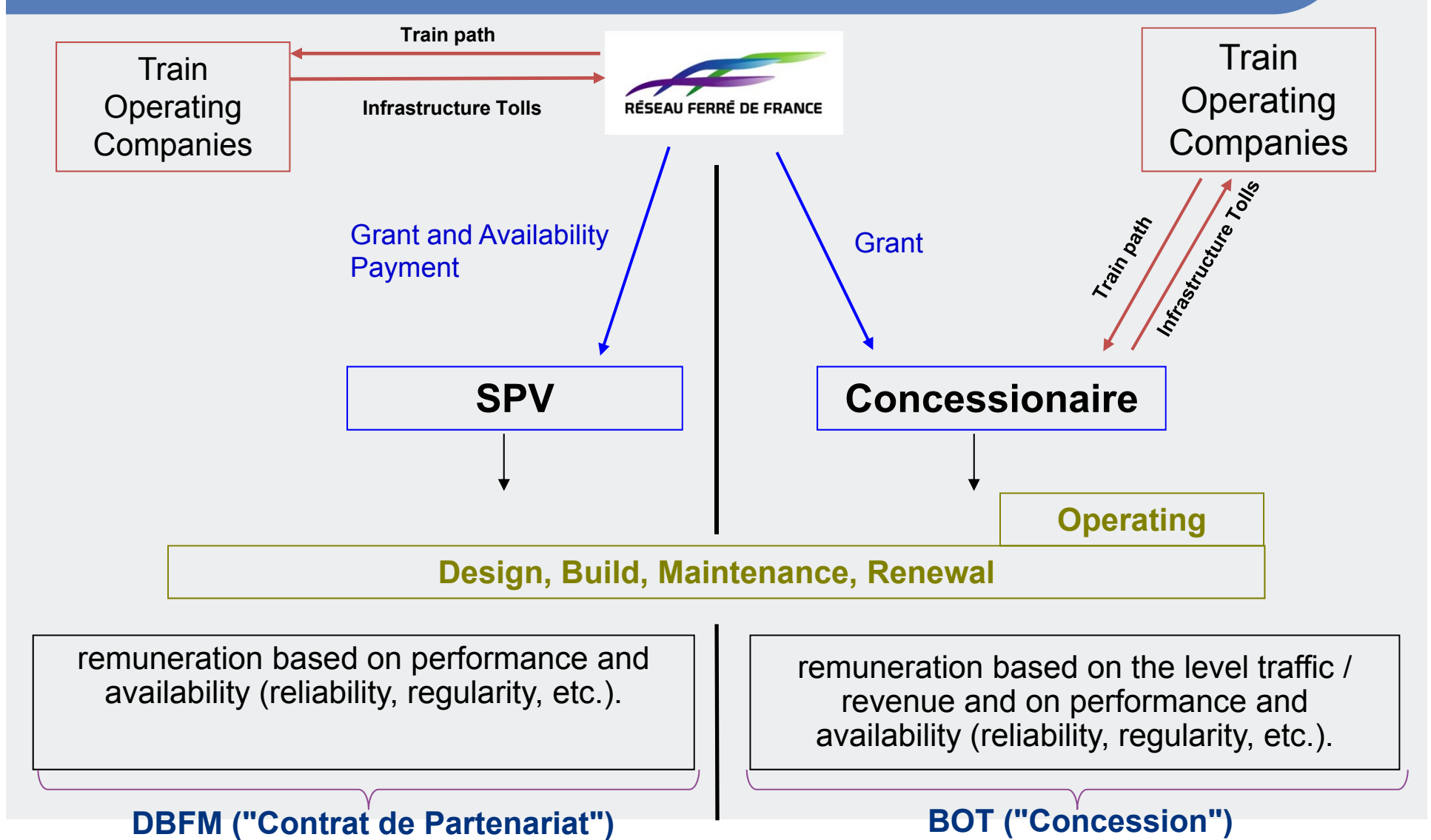
- Separate contracts (design, build, maintenance, ...) and management of all those contracts
- Short term contracts
- Payment in full upon completion
- Fully financed by the public sector
- Commercial risk remains with public authorities
- Allows for limited risk transfer to private contractors

The firsts French HSL were built under this scheme of public procurement, and currently, the HSL East European II toward Strasbourg is built under the MOP law.

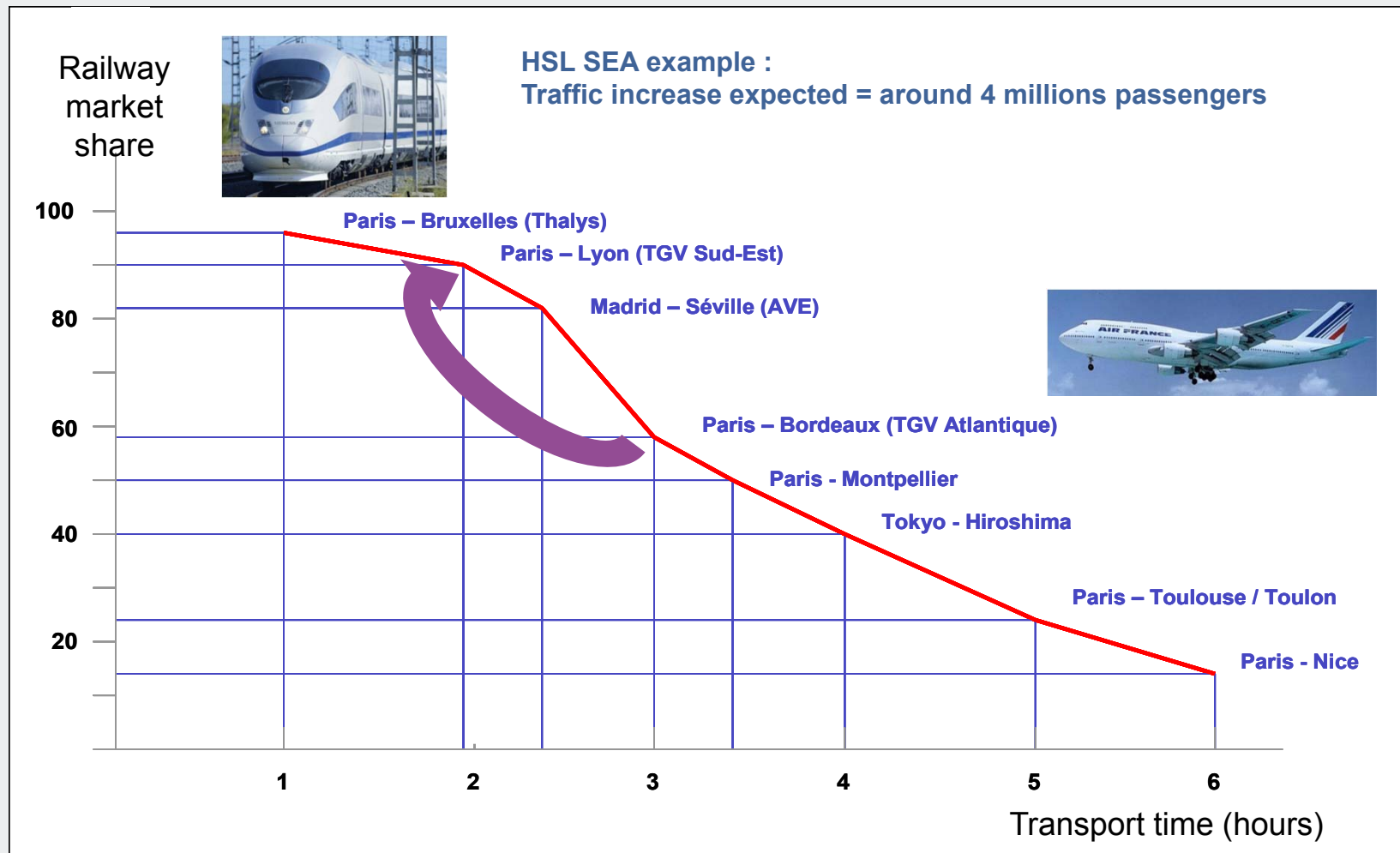
Public Private Partnerships (PPP) is one of the answers to those constraints.

RFF has the will to continue keeping this two schemes, and use PPPs when it appears relevant : it is important to know what you delegate as owner and infrastructure manager, especially when it is a complex system, as the railway system

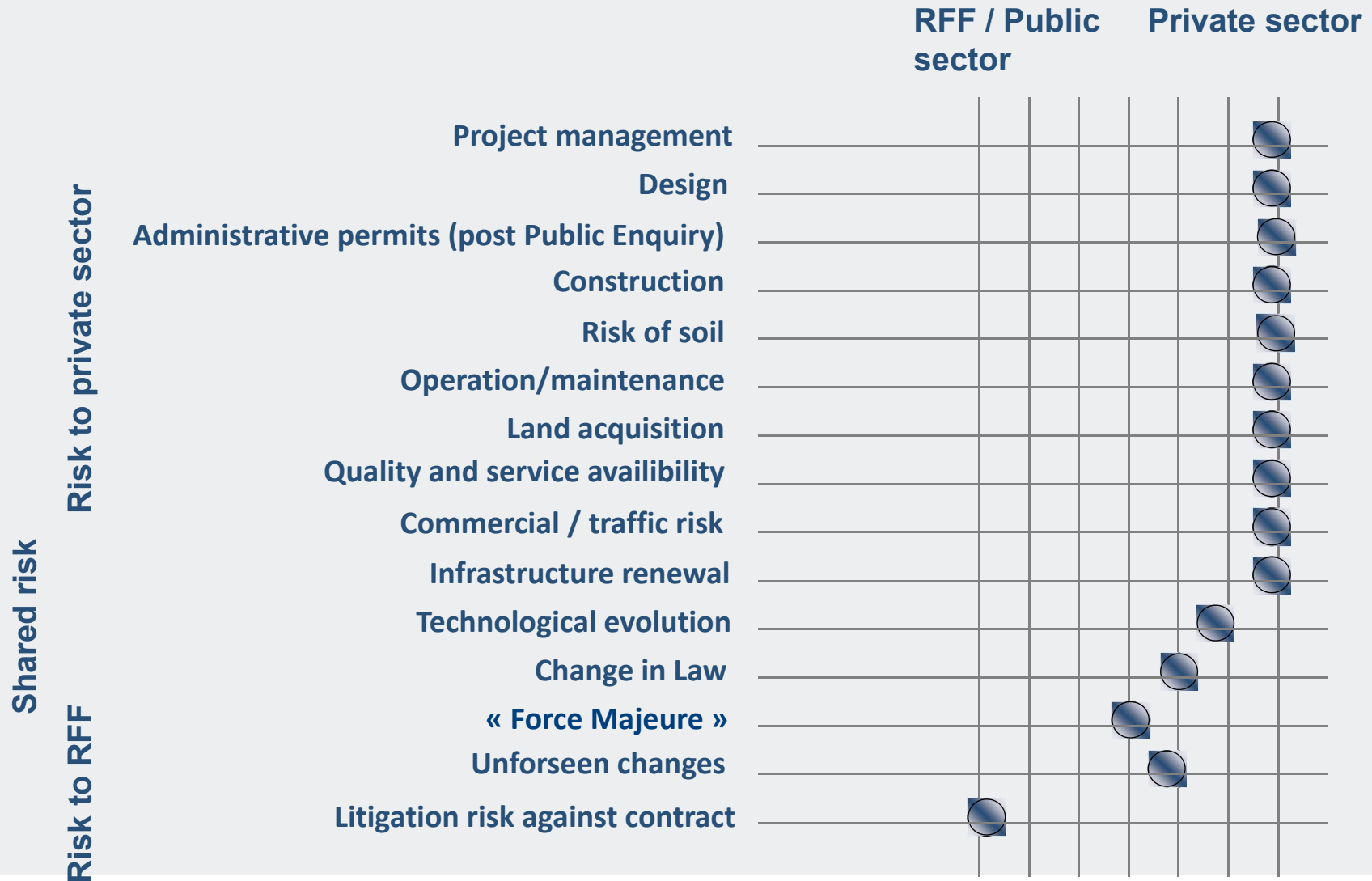
Two schemes for Railway PPP in France



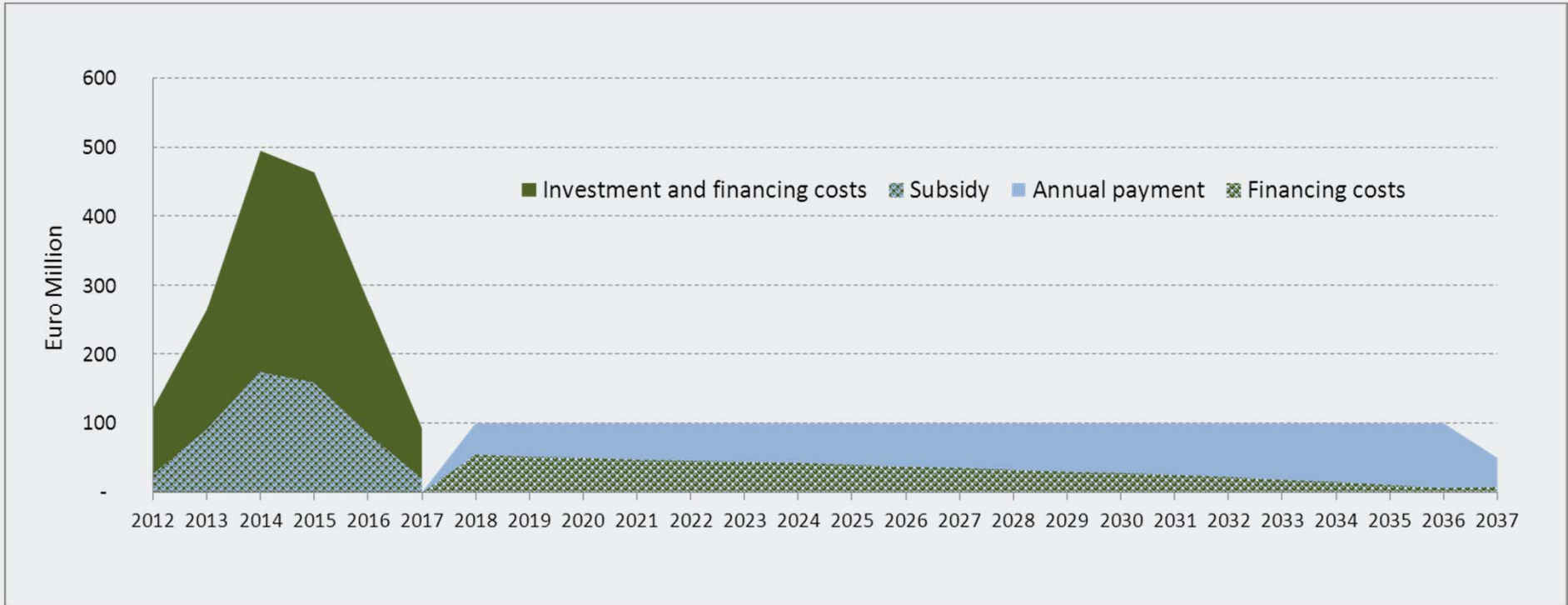
Socio-economic value of HSL Projects



Risk Sharing

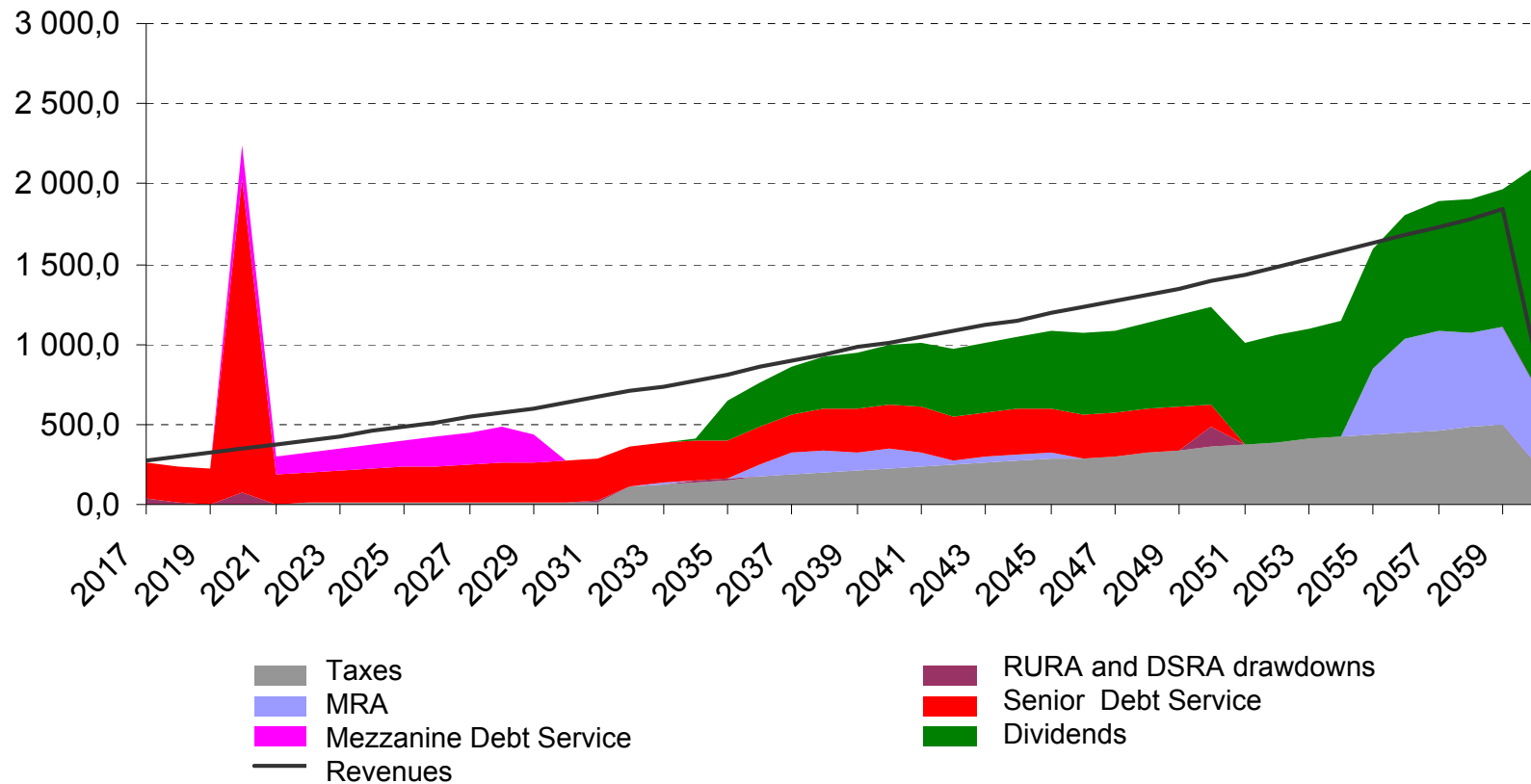


Availability based contract : cost and remuneration profile

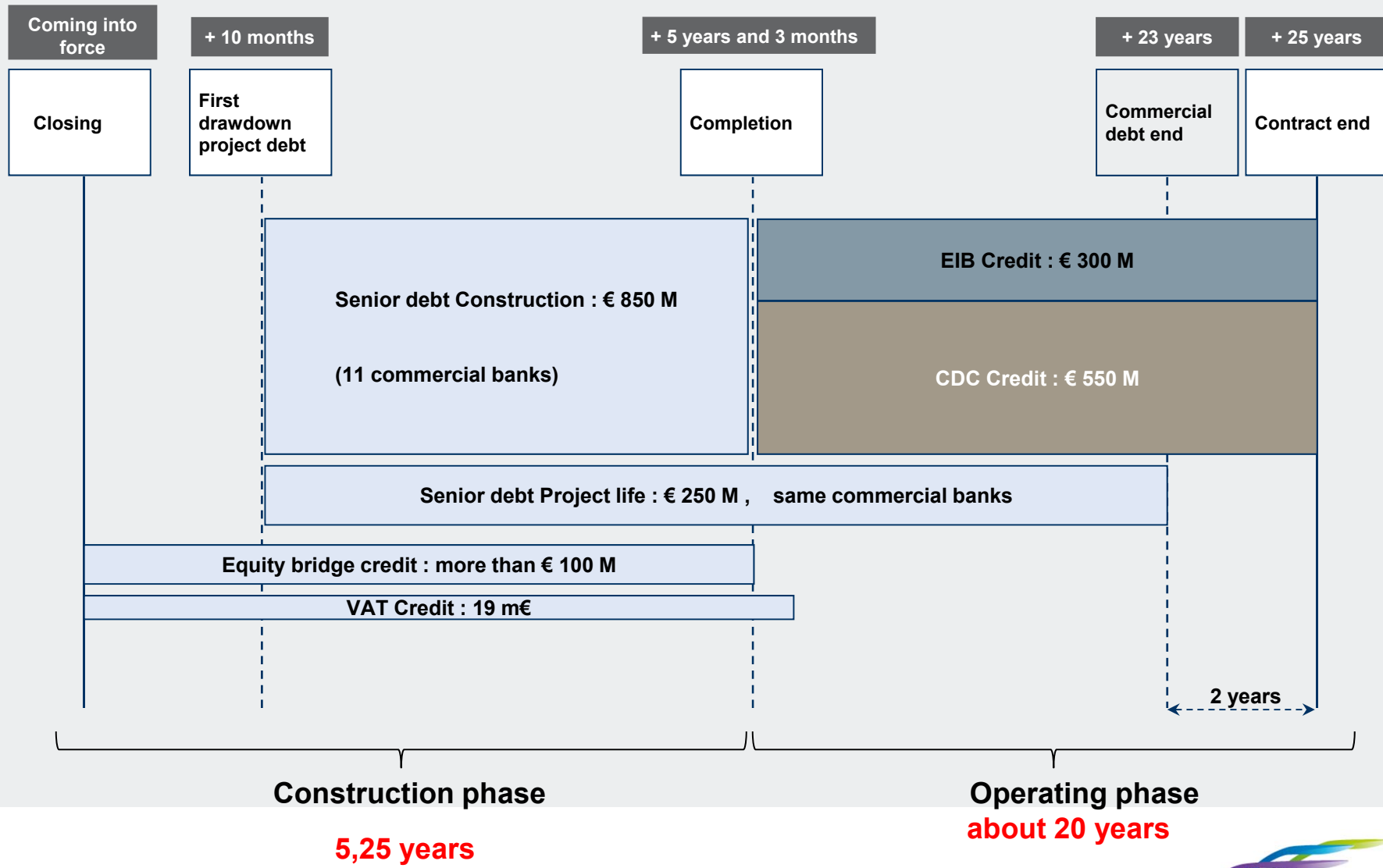


Concession : operating period

Cash Flows



HSL Financial Plan



Balance of advantages and disadvantages

- Financial costs (mainly after financial crisis) :
 - club deal vs syndication
 - liquidity issues : limited final take
 - rising of commercial bank margins and fees (*project finance debt from 70 bps to 250 bps and more*)
 - Reduction in number of financial institutions active in the market
 - Shorter maturities of bank lending : from 35 years to 10-15 years, not covering entire project life (except public banks)
 - Transaction costs
 - Widening gap between the “private” WACC and the cost of public debt
 - Complexity of interfaces with the existing network (connections, systems, ...)
 - Heaviness of tender procedure
 - A lot of time to prepare the tender documentation
- Respect of delays and costs : Project on time and on budget ; lump sum contract
 - Bundling of asset construction and operation ; life cycle cost (LCC) optimization
 - Risk allocation
 - Performance based
 - Brownfield risk : extension of existing network
 - Jumbo PPPs requiring large upfront investments but :
 - Jumbo PPP in one phase (HSL SEA was studies in 2 parts)
 - Several projects in the same time (4 HSL under construction 2012-2017)
 - Competition during tender
 - Innovation capacity & operating performance of the private sector

The majors issues of PPP : key points for a win-win PPP

- **Contractual & Tender issues :**
 - Tender documentation (technical, financial, commercial, ...),
 - Structuring the project documentation with a main goal : the bankability ; the project must be attractive for sponsors and also for the lenders.
 - A balanced contract for the bankability of the project

- **Financial issues :**
 - Public cover for Swaps in case of litigation against the Contract
 - Risk Aversion : increase of margins after the financial crisis (despite the State Guarantee for SEA HSL)

- **Commercial issues (in Concession) :**
 - Traffic risk transfered (but "non-real greenfield" due to traffic on the existing network since several years)
 - Market share of the "historic operator" (SNCF in France)
 - For the TOC, ability to pay tolls vs ticket price policy and profitability of transport activity

- **Technical issues :**
 - Interfaces management (specialy with the existing network : connexions, régulation center, GSM-R, ...)

Public Private Partnership Schemes and Railways Financing

Contact :

Mr Gweltaz GUIAVARC'H
Head of Major Projects & PPP Support Service
Major Projects Division

Réseau ferré de France
92 Avenue de France
75013 PARIS

e-mail : gweltaz.guiavarch@rff.fr
tél : (+33) 1 53 94 31 17

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End of presentation

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