

Fed up with cheese, Beaujolais and accordions?

France can show you its modern face as well... through public private partnerships

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This is not yet the most famous facet of France, but since 1955, we have been evolving into a modern nation partly thanks to innovative solutions to finance public facilities. After World War II, at the dawn of a 30-year period of growth, enormous issues had to be faced, and building a modern country with little money became the actual challenge.

By involving private investors guaranteed to get their money back plus some financial benefits from toll revenues, under public-regulated contracts to ensure public utility while securing the private investment, the French ministry for public works created a new concession model.

This idea has been implemented in many areas of public interest involving large investment needs: waterways, railways, bridges and tunnels, highways, power supply facilities, waste and water treatment plants, public transportation, hospitals, prisons, stadiums, airport management. Local public authorities are also great users of PPPs.

From the beginning: PPPs to put the highway system together

Transportation is a big part of the issue: the 8000-kilometer French highway network, started in 1955, would not exist without this concession model, improved since then. The following examples will talk for themselves.

In South-western France, the 2,460-meter long, 245 meter-high Millau viaduct was built in three years thanks to a design, build, finance and operate (DBFO) public-private partnership that allowed fast delivery. The 400-million euro total cost was financed by the private partner through a 78-year concession. The bridge remains a public-owned infrastructure of the national highway network, tolled 6 euros on average.

In western Paris, the A-86 super-ring is about to be completed by a two-level tunnel dedicated to light vehicles, which will greatly relieve congestion while improving the quality of environment on the surface. The 1.7 billion euro infrastructure is totally funded by the private partner, under a 70-year concession contract signed in 1999. The toll, depending on the density of traffic, will range from 2 to 7 euros.

In the Alps, the A-41 link between Geneva and Annecy is to be completed by spring 2008: a 20-kilometer mountain highway including a 3-kilometer tunnel and 4 viaducts. This 871 million euro, highly profitable highway is 100% financed by private equity, under a 55-year concession contract signed in October 2005.

Towards the XXIst century's transportation networks: PPPs for the high speed rail

PPPs are now implemented with success in railroads as well. A new 300-kilometer, 7.2 billion euro high-speed rail line towards the Southwest is planned to be build under a concession contract. Even though a public subsidy will still be necessary to cover high construction costs of high-speed rail tracks, the operation is expected to generate profits. Travel time from Paris to Bordeaux will be reduced to 2h05 by 2015, from more than three hours now.

Also, a new 182-kilometer high-speed line extending the TGV network towards Brittany (West), will cut the trip by more than 40 minutes, putting the Western cape of France only 3 hours from Paris before 2020. A DBFO contract is being planned for this 2.4 billion euros infrastructure.

A concession contract is being negotiated to build and manage the new light rail link between Paris city and Charles de Gaulle International Airport. Starting operation in 2012, this new 32-kilometer, 640 million euros line will be built without public funding.

Work on the new cross-border high speed line from Perpignan to Barcelona (Spain) is nearly over. This 45-kilometer, 952 million euro project was financed 40% by private funds under a 50-year concession contract. High costs due to an 8.2-kilometre tunnel crossing the Pyrenees Mountains explain the major public commitment to this new European link, which will make possible a 5h30 trip from Paris to Barcelona (down from 9 hours today).

A total of 15 major transportation projects are underway in France, mainly thanks to efficient PPP schemes. This is without mentioning local projects, nor to mention PPPs in other fields of public interest. Furthermore, a recent general overview of public policies in the field of environment led to a new ambitious program for public transit, including a 40-billion euro, 2,000-kilometer upgrade to the high-speed rail network.

Principles and guidelines for the management of PPPs

The French success in developing PPPs rests upon some basic principles. A strong commitment to serve public interest, precise and complete contracts, a thorough valuation of costs, risks and revenue streams, a good risk-sharing equation, and lastly, two simple ideas, exempt from ideology. First, both parties must benefit from the partnership (the idea that the private partner makes some money has to be shared!). Second, PPP doesn't make a bad

project become a good one: private investment will never compensate for the lack of profitability.