Transport Infrastructure Development for a wider Europe
Seminar
Paris
27-28 November 2003

Session 2 – Financing the Infrastructure

CONTRIBUTION

“The Trans-European Networks Investment Facility (TIF)”
By
Tom BARRETT
(EIB)
## Facts and figures

The projected size of the trans-European transport network in 2010:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
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<tbody>
<tr>
<td>75 200 kilometres of roads.</td>
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<tr>
<td>79 400 kilometres of railways.</td>
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<tr>
<td>430 airports.</td>
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<tr>
<td>270 international seaports.</td>
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<tr>
<td>210 inland ports.</td>
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<tr>
<td>Traffic management systems, user information and navigation services.</td>
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</tr>
</tbody>
</table>

*Source: Commission 2001 Annual Report on TENs*
Deterioration of the modal split

Goods
- Road 44%
- Sea 41%
- Rail 8%
- Inland waterways 4%

Passengers
- Road 79%
- Rail 6%
- Air 5%

Goods in billion tonnes/km
- Cars or lorries
- Air
- Coach
- Rail
- Inland waterways
- Pipeline
- Short-sea shipping
The TENs Investment Facility

• Strengthen and, where possible, accelerate the investment in TENs.

• Increase the EIB resources available for the development of TENs transport to 2010.

• Improve the range of financial instruments available from the Bank.

… in collaboration with the Commission, Member State Authorities and the Private Sector.
The TENs Investment Facility
5 Building Blocks

1. Long term loans – Senior Debt for PPPs, Corporates and Public bodies.

2. Guarantee system – for Investment Grade Projects.

3. Structured Finance Facility – SFF.

4. Securitisation.

5. EIB institutional role.
(1) Increased EIB senior lending

Proposal
- € 50 billion over period 2003-2010.
- Extra long maturities (35 years).
- Longer grace periods.
- Special arrangements for exceptional cases (e.g. up to 75%).
Flagship deals to date

- DBFO roads and river crossings in the UK.
- Channel Tunnel Rail Link and London Underground.
- Spanish & Portuguese transport projects.
- Spata airport and Athens ring road.
- Dutch high speed train link.
- UK education and health projects.
- Water projects (concessions, BOT).
“Must” for successful PPPs

- Public Sector Political Commitment.
- Focused, dedicated and experienced public sector team – PPP Task Force.
- Clear legal and institutional framework.
- Transparent + competitive procurement.
- Realistic risk sharing.
- Government Partnership.
Re-alignment of the BOT model with realities

1990 BOT Private Financing
1991-92 Studies/Laws
1993 First BOT
1994-95 HU, CZ, PL, RO, BU...
1996-97 First Results..
1998-99
(2) EIB and EU guarantees

- EIB to provide guarantees for private finance projects with investment grade rating.
- Combine EIB guarantees with public sector guarantees so as to optimise the “value for money” and “affordability” of priority investment.
- The EU financial regulators should examine the Basle II regulatory framework to ensure that TENs financing can be effectively assured through EU financial markets.
(3) Increased “Structured Finance Facility”

- SFF is an existing EIB senior debt product to finance higher risk projects (e.g. risk during construction).

- Tripled from Euro 500 m to Euro 1500 m.
(4) Securitisation

- Financing institutions / SPVs, promoted by public authorities, to issue AAA bonds securitised by revenues from portfolio of existing infrastructure assets held by Member States / public authorities.
- Purchase of securitisation bonds by financial institutions co-financed by EIB, the capital and banking markets.
- Proceeds of securitisation bonds to be dedicated by public authorities to priority infrastructure financing.

Release new resources to be invested in TENs
(5) Strengthen EIB Institutional Role

- Strategic Advisor to the Commission, to Member States and Public Authorities on TENS.
- Financial Engineering of TENs projects through PPPs, Structured Finance, Securitisation and Capital Markets.
- Proposed operator of Commission Guarantee Facility for TENs.
- Combined use of budgetary resources and EIB loans for TENs.
- Collaboration with national PPP Task Forces on TENs.
- Co-financing with specialist national financial institutions of SPVs and securitisation trusts for TENs.
- Collaboration with TENs Project Co-ordinators.
The way forward

- Ecofin mandate has been given to EIB and Commission to present detailed proposals for financing of infrastructure.
- New mechanisms to be proposed at European Council in December.
- Commission to make new EU budgetary commitments to TENs in context of new Financial Perspectives.
- Commission to propose a Quick Start package of key TENs projects (based on van Miert Group’s recommendations which can make significant contribution to European growth due to their timing, feasibility and economic importance.)
## TEN-T – costs and financing

<table>
<thead>
<tr>
<th></th>
<th>EUR 400 billion (1996 estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total estimated costs:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated total funding:</strong></td>
<td>EUR 16-20 billion per year</td>
</tr>
<tr>
<td><strong>Community funding in 2000-2006:</strong></td>
<td></td>
</tr>
<tr>
<td>Trans-European networks budget</td>
<td>EUR 4.2 billion</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>EUR 9 billion</td>
</tr>
<tr>
<td>Structural Funds</td>
<td>EUR 4-6 billion</td>
</tr>
<tr>
<td><strong>Annual loans by the European Investment Bank (in 2000):</strong></td>
<td>EUR 6.6 billion</td>
</tr>
</tbody>
</table>

*Source: Commission 2001 Annual Report on TENs*
Motorway Developments

- **Private Toll Concessions Companies:**
  - stand-alone BOT-PPP (bridges, tunnels or motorways in UK, ESP, P, GR, F, I ...).

- **Public Toll Concession Companies:**
  - Toll Motorway Networks in F, I, ESP (partial), P (former).

- **Public Toll Companies/Authorities:**
  - Complex stand-alone projects (e.g. DK-SWE)
  - Toll roads in A, GR

- **Private Concessions:**
  - DBFO shadow tolls (UK, FIN, P, ESP...)

- **Other “off-budget” methods:**
  - German method: DBF
  - Dutch method (D&B and F)
  - Belgian ”Intercommunales”

- **Public ”Traditional ” Financing**
  - Road Fund: NL, B, L.
  - and/or ”Vignette ”: (CH), A
  - Pure ”traditional ” method: D, UK, ESP autovias, I sud, DK, SWE...
TOLL MOTORWAYS (EU)
(toll = 16 500 km; total = 47 800 km)

95% in F, I, ESP, P

- Tolls (35%)
- State Funds
Motorway Historic Developments

Length (‘000)

W. GERMANY
(from 1932)

ITALY
(from 1926)

FRANCE

U.K.

SPAIN

## Community financing of the TEN in 2001 (EUR m)

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>Loans</td>
<td>EIB (1-2)</td>
<td>7666</td>
<td>3504</td>
<td>4943</td>
<td>4415</td>
<td>5977</td>
<td>4989</td>
<td>5161</td>
</tr>
<tr>
<td></td>
<td>Loan guarantees</td>
<td>EIF (1-2)</td>
<td>161</td>
<td>303</td>
<td>55</td>
<td>71</td>
<td>256</td>
<td>55</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Grants</td>
<td>ERDF (2-3)</td>
<td>999</td>
<td>2639</td>
<td>527</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>2200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cohesion fund</td>
<td>2995</td>
<td>1221</td>
<td>1251</td>
<td>1337</td>
<td>444</td>
<td>1287</td>
<td>1318</td>
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<tr>
<td></td>
<td>Grants, interest rate subsidies, loan guarantees and co-financing of studies</td>
<td>TEN budget line B5-700</td>
<td>625</td>
<td>280</td>
<td>352</td>
<td>474</td>
<td>497</td>
<td>581</td>
<td>563</td>
</tr>
<tr>
<td></td>
<td>(Of which the specific projects)</td>
<td></td>
<td>362</td>
<td>211</td>
<td>211</td>
<td>305</td>
<td>266</td>
<td>288 (4)</td>
<td>247</td>
</tr>
</tbody>
</table>

1. Signed contracts
2. TEN and TEN-related projects
3. Usually includes appropriations committed for the period 1996-1999
4. Including rail traffic management

**Source:** Commission 2001 Annual Report on TENs
## Total ISPA contribution 2000-2001 per Corridor

<table>
<thead>
<tr>
<th>Corridor</th>
<th>Road</th>
<th>Rail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corridor I</td>
<td>32 600 556</td>
<td></td>
</tr>
<tr>
<td>Corridor II</td>
<td></td>
<td>161 746 249</td>
</tr>
<tr>
<td>Corridor III</td>
<td></td>
<td>92 837 250</td>
</tr>
<tr>
<td>Corridor IV</td>
<td>366 491 403</td>
<td>383 680 941</td>
</tr>
<tr>
<td>Corridor V</td>
<td></td>
<td>92 110 300</td>
</tr>
<tr>
<td>Corridor VI</td>
<td>233 695 790</td>
<td>160 945 224</td>
</tr>
<tr>
<td>Corridor IX</td>
<td>152 036 430</td>
<td>87 311 201</td>
</tr>
<tr>
<td>Total</td>
<td>1 105 235 429</td>
<td>978 631 165</td>
</tr>
</tbody>
</table>

Source: Commission 2001 Annual Report on TENs
## Total ISPA contribution per country 2000-2001

<table>
<thead>
<tr>
<th>Country</th>
<th>Airport</th>
<th>Rail</th>
<th>Road</th>
<th>Rail and road</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>50 000 000</td>
<td>153 000 000</td>
<td>30 000 000</td>
<td>4 998 000</td>
<td>237 998 000</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>45 207 500</td>
<td>57 931 474</td>
<td>200 000</td>
<td></td>
<td>103 338 974</td>
</tr>
<tr>
<td>Estonia</td>
<td>1 350 000</td>
<td>34 173 021</td>
<td></td>
<td></td>
<td>35 523 021</td>
</tr>
<tr>
<td>Hungary</td>
<td>191 442 575</td>
<td>20 149 540</td>
<td></td>
<td></td>
<td>211 592 115</td>
</tr>
<tr>
<td>Latvia</td>
<td>101 843 476</td>
<td>19 961 541</td>
<td></td>
<td></td>
<td>121 805 017</td>
</tr>
<tr>
<td>Poland</td>
<td>344 498 499</td>
<td>510 744 750</td>
<td></td>
<td></td>
<td>855 243 249</td>
</tr>
<tr>
<td>Romania</td>
<td>232 329 441</td>
<td>409 926 024</td>
<td></td>
<td></td>
<td>642 255 465</td>
</tr>
<tr>
<td>Slovakia</td>
<td>96 996 000</td>
<td>27 149 200</td>
<td></td>
<td></td>
<td>124 145 200</td>
</tr>
<tr>
<td>Slovakia</td>
<td>18 765 300</td>
<td></td>
<td></td>
<td></td>
<td>18 765 300</td>
</tr>
<tr>
<td>Total</td>
<td>50 000 000</td>
<td>1 209 747 571</td>
<td>1 160 993 150</td>
<td>5 198 000</td>
<td>2 425 938 721</td>
</tr>
</tbody>
</table>

*Source: Commission 2001 Annual Report on TENs*