



PIC highways programme

Jaime de la Torre

Socio

jaime.delatorre@cuatrecasas.com

Tania Esteban

Asociado

tania.esteban@cuatrecasas.com

On July 2017 the Spanish Government announced the Extraordinary Road Investment Plan (“*PIC-Plan Extraordinario de Inversión en Carreteras*”). The plan envisages the investment of €5 billion in the construction of 2,000 km of highways over a period of 4 years’ (2017-2021).

The purpose of the plan is to complete the tranches of the Trans-European Network outstanding, to solve bottlenecks in the current road network, and to improve and adapt the main existing highways to the requirements of the new regulations in terms of accidents, noise, CO2 emissions and ensure the proper maintenance of all the projects that will be carried out.

The plan will follow the public-private collaboration scheme (PPP) avoiding allocating the cost to the Government budget and requesting the construction companies to take the responsibility for the maintenance of the infrastructures for a period of 30 years. The remuneration structure of the projects will be based on availability payments with no exposure from the construction companies to traffic risk. The Government said that this mechanism of public-private collaboration has already proved to be successful in Europe, where it has gone from representing 5% of the projects to more than 90% over the last 10 years. The government, seeks to execute the plan based on the experience of other European countries, in which the private sector is involved whilst maintaining the government’s commitment to reducing the public deficit. Accordingly, the concessionaires will have to seek financing for the 20 different projects that are expected ranging €100 million to €400 million.

The plan will also be backed by European financing through the European Investment Bank. Additionally, some of the projects to be included in the plan may be financed through the Juncker Investment Plan.

It is expected that the tender documents of the first project of the plan are published in the forthcoming weeks by the Ministry of Public Works (“*Ministerio de Fomento*”) to be followed by the rest of the projects.



In light of the above it is expected that the construction companies that are finally awarded with the different projects will request financing for the projects. The financing of this projects can be obtained by means of the traditional bank financing or we may start to see new financing alternatives. In particular, this projects may be finance by means of project bonds where the concessionaries companies obtain the financing by means of the issuance of bonds in the capital markets. We may also see mixt structures whereby the concessionaries obtain the financing in part by means of credit facilities granted by credit institution and/or institutional investors and part is financed by means of the issuance of project bonds.

We have had in the last months several precedents in Spain of infrastructure and energy projects being finance by means of project bonds or mixt structures (loans and bonds) and we will see if this financing tool could be an alternative for the financing of some of the 20 projects that will need to be financed.