

# Examples of PPPs in the Rail Sector

## 1. RAVE – Portugal

The Portuguese HSR network was intended to establish a high speed railway link between Lisbon and Madrid. The project was separated into six separate packages ready for procurement using a PPP model, however the project was abandoned in March 2012 by the Portuguese Government. There were a number of factors: the European financial crisis, the discovery of illegal clauses in the contracts and irregularities in the concession and the tender process. The project would have involved the construction of new lines totalling approximately 650 kilometres between Lisbon, Porto and Madrid, with the project's total investment value being approximately EUR 8 billion. The project was to be financed by a mixture of European Union grants and public and private finance.

## 2. AVE – Spain

The first AVE line was inaugurated in 1992 between Madrid and Seville and started the expansion of the network around the country. HSR in Spain received significant European Union funding with the objective of promoting social integration, territorial integration, economic development and competitiveness. The remaining finance is provided by government funding. The network is government-owned with separate entities responsible for the rail infrastructure and the train operations. Red Nacional de los Ferrocarriles Españoles (RENFE) Operadora is the operator and Rail Infrastructure Administration (ADIF), the agency for management of rail infrastructure, is the owner of the infrastructure.

## 3. HSR – Taiwan

The high speed line runs approximately 345 kilometres along the west coast of the Republic of China (Taiwan) from the capital Taipei to the southern city of Kaohsiung. Construction commenced in March 2000 and the line was completed in January 2007 after a 14 month delay.

The project was tendered using a PPP model and the Taiwan High Speed Rail Corporation (THSRC) (a consortium consisting entirely of Taiwanese companies) was awarded a concession in September 1997 to finance, construct and operate the line for a period of 35 years, with a concession of 50 years for station area development.

The total cost of the project was approximately US\$18 billion, including a government contribution of US\$3.2 billion and cost overruns of US\$1.7 billion. THSRC financed approximately 70% of the development costs by borrowing from Taiwanese financial institutions and received additional financial support from the Taiwanese Government following several project delays and a failure to find willing investors in the station redevelopment areas.

## 4. Belgrano Norte - Argentina

The Argentinian government has entered into a concession agreement with a private entity, Ferrovias Sociedad Anonimas Concessionarios, for the maintenance and operation of the railway line Belgrano Norte from Villa Rosa to Retira - Buenos Aires Metropolitan Area. The concession includes the use of rolling stock. The term of the contract is 24 years (extendable) and the concessionaire is obliged to grant track access to the railway companies specified in the concession agreement. Conditions for track access and the track access charges must be fair and reasonable.