



UNECE workshop on the role of Public Private Partnerships (PPPs) in the financing of investment in the railways

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Outline of the presentation

1. PPPs* in railways
 - Preamble
 - PPPs in railways in figures
2. Railway rolling stock PPPs
 - General information
 - Examples of PPPs for railway rolling stock projects
 - Advantages of using PPPs for railway rolling stock projects
 - Challenges of using PPPs for railway rolling stock projects
3. Luxembourg Protocol and railway rolling stock PPPs
 - Attracting more and cheaper funding from private sectors

* PPPs: Public Private Partnerships



1. PPPs in railways





PPPs in railways

Preamble

- A Public Private Partnership is one way, among others, to deliver a public asset or service.
- No single definition of PPP.
- One of the definitions of PPP from the *PPP reference guide, World Bank*:
“**A long-term contract** between a **private party** and a **government entity**, for providing a public asset or service, in which the private party bears **significant risk** and management responsibility and remuneration is linked to performance.”



PPPs in railways

Preamble

Features	Traditional Procurement	PPP
Contract duration	Maximum of 5 years, longer period must be justified	20 to 30 years or longer period
Financing	Public sector responsible for financing the project	The private sector contributes to the financing of the project. The private sector may invest a significant proportion of the funds required for some projects
Risk sharing	All project risks borne by the public entity. The public entity is responsible for managing and executing the project	Risks allocated to the parties that can manage them the most efficiently
Performance indicators	Completion of construction work/service and adherence to specifications	Ongoing service delivery and operational performance throughout the life cycle of the project



PPPs in railways

Preamble

Growing need for investment in railway infrastructure and rolling stock (population increase; increased mobility; increased demand for environmentally sound modes of transport); **in the meantime, constraints in government funds**

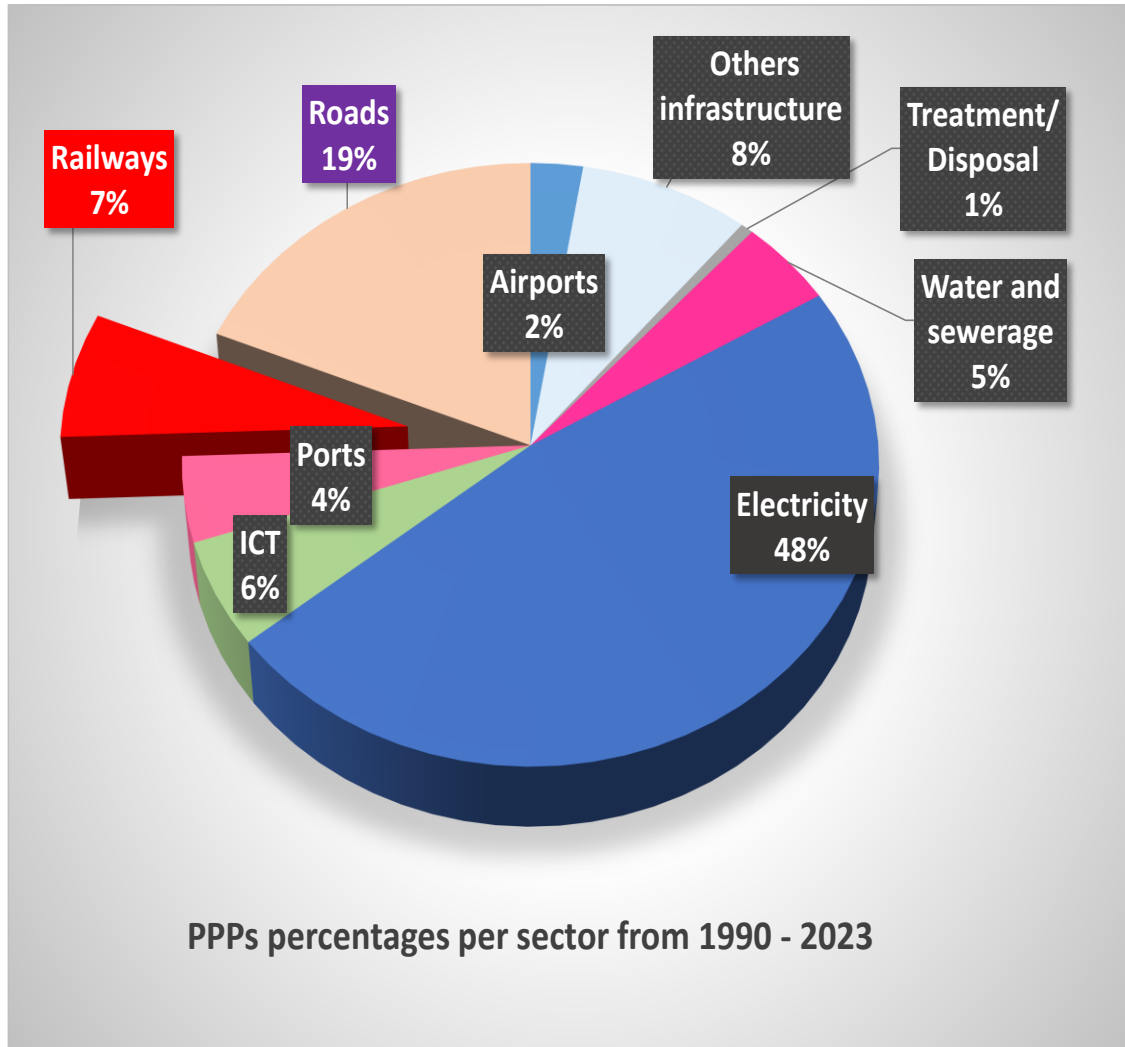


Essential to attract and facilitate **private investment** in order to allow governments to fund more railway infrastructure and other projects required for economic development.



PPPs in railways

PPP in railways in figures



Figures from the World Bank's private participation in infrastructure (PPI) database show that:

- PPPs have increasingly been used to develop railway infrastructure worldwide since the 90s
- PPPs in railways represent a significant percentage, but quite low compared with 'energy' or even 'roads' PPPs.

PPPs in railways mainly concern railway infrastructure projects. These PPPs are designed to create or enhance existing railway infrastructure and may include the procurement of railway rolling stock.



2. Railway rolling stock PPPs





Railway rolling stock PPPs

General information

According to Future Market insights, the global railway rolling stock market is all set to grow to US\$ 6.43 billion by 2034 from US\$ 3.87 billion in 2024.

Several investment opportunities in the railway rolling stock market:

- More railway infrastructure (PPPs) projects including the acquisition of railway rolling stock under way and even more in the future as the result of population increase and increased mobility, but also as a result of increased demand for environmentally sound modes of transport at national and local level; Modernisation of ageing fleet in order to improve disability access and to provide improved services for users/customers (air conditioning, screens for information, Wi-Fi, etc.)
- Development of energy-efficient railway rolling stock.



Railway rolling stock PPPs

Examples of PPPs

Several examples of railway rolling stock PPPs, although railway rolling stock PPPs do not represent the majority of PPPs in railways.

Railway rolling stock PPPs involve cooperation between public entities at national or local level and private companies.

Railway rolling stock PPPs can take various forms and often serve multiple purposes.



Railway rolling stock PPPs

Examples of PPPs for railway rolling stock projects

Name of the project	Scope	Signature	Duration (Years)	Investment costs
Waratah (New South Wales, Australia)	<p>Design, manufacture, finance and commission of 626 new Waratah double-deck carriages, providing 78 new trains and two spare carriages</p> <p>+ Finance, design, build, manufacture and commission a new maintenance facility and new train simulators for driver training</p> <p>+ maintenance, cleaning, repair and refurbishment of the new trains, maintenance facility and train simulators</p> <p>+ Decommissioning</p>	2006	30	3.6 billion USD



Railway rolling stock PPPs

Examples of PPPs for railway rolling stock projects

Name of the project	Scope	Signature	Duration (Years)	Investment costs
Gautrain Rapid rail link (South Africa)	Design, construction, finance, operation and maintenance of a 77km long track, with the provision of 96 cars of rolling stock (24 x 4 electric multiple units) to transport passengers, a fleet of 125 heavy haul buses and 29 minibuses	2006	19.5	N/A
Thameslink (United Kingdom)	Design, manufacture, financing and maintenance of 900 – 1,300 railway vehicles (and two depots) for operators of the upgraded Thameslink rail lines	2011	30	2.5 billion USD



Railway rolling stock PPPs

Examples of PPPs for railway rolling stock projects

Name of the project	Scope	Signature	Duration (Years)	Investment costs
Intercity Express Programme (United Kingdom)	Acquisition of 866 new carriages in total + four new or reconstructed maintenance depots and seven refurbished depots; maintenance and cleaning of both rolling stock and depots; financing for the transaction	2012	27.5	7.5 billion £
New Generation Rollingstock Project (Queensland Government)	Design, build, finance and maintain 75 new six-car trains + design and construction of a new purpose-built maintenance facility in Wulkuraka, Queensland	2014	30	5.7 billion AUD



Railway rolling stock PPPs

Advantages of using PPPs for railway rolling stock projects

- Reduced burden on public finance: governments and other public entities can undertake more railway infrastructure projects or other projects needed for economic development.
- Increased efficiency: private sector involvement may mean better quality projects and better service and maintenance.
- Innovation: private sector may bring innovative solutions and technology that can enhance project outcomes and service quality.
- Can be used for modernisation or extension of existing fleet.

!!!! Can be partially financed by multilateral development banks (e.g. EBRD, EIB, IFC) or export credit agencies.



Railway rolling stock PPPs

Challenges of PPPs for railway rolling stock projects

- Complex contracts: PPP agreements can be complex and require skilled resources in management, technical and legal areas; detailed contracts that outline roles, responsibilities and performance metrics. Multiple stakeholders.
- Lengthier selection process compared to traditional procurement.
- Sometimes limited number of bidders.
- Long term commitments: PPPs involve long-term contracts which can be difficult to manage and renegotiate if economic conditions change.

!!!! Lessons learned for the several rail rolling stock PPPs are documented and available.

!!!! Likewise, around 80 PPP units around the world in different countries.



3. Luxembourg Protocol and railway rolling stock PPPs





Luxembourg Protocol and railway rolling stock PPPs

Attracting more and cheaper funding from private sectors

Public sector objectives in PPPs

- Effective public resource management
- Benefit from the expertise and innovation of private sector,
- Quality and on-time delivery of the public asset/service
 - Risk sharing

VS. Private sector interest in PPPs

- Bankable project
- Fair and transparent selection process
- Risk management



Luxembourg Protocol and railway rolling stock PPPs

Attracting more and cheaper funding from private sectors

- By providing a uniform, internationally recognised legal framework, the Cape Town Convention on International Interests in Mobile Equipment and its associated protocols (aircraft, rail, space assets, mining, agricultural and construction equipment) aims to lower risks for creditors and enhance the availability of financial resources for the acquisition of essential mobile equipment, ultimately fostering growth in the global economy.
- The Aircraft Protocol to the Cape Town Convention entered into force in 2006.
- The Luxembourg (Rail) Protocol to the Cape Town Convention entered into force this year, on 8 March 2024.



Luxembourg Protocol and railway rolling stock PPPs

Attracting more and cheaper funding from private sectors

The Luxembourg Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Railway Rolling Stock aims to facilitate and attract more and cheaper private sector funding for railway rolling stock.

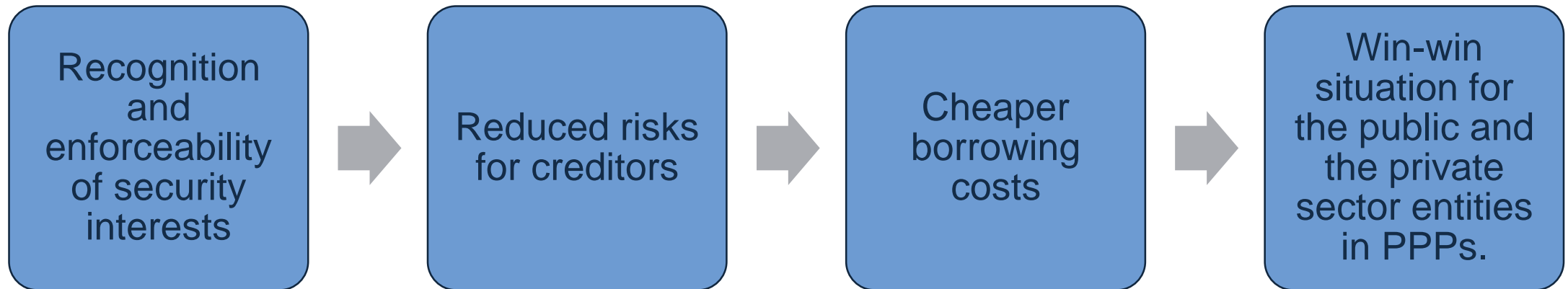
Since the entry into force of the Luxembourg Protocol:

- Registration of security interests: a new international registry operational 24/7/365 allows registration of security interests in railway rolling stock and makes it easy to search online the existing security interests in a specific item of railway rolling stock.
- URVIS number: unique identifiable number (URVIS) permanently affixed to the item of railway rolling stock concerned for the registration of security interest.
- Recognition of security interests: a creditor or lessor will be able to enforce its security in cases of debtor default or insolvency, including for cross-border railway rolling stock.



Luxembourg Protocol and railway rolling stock PPPs

Attracting more and cheaper funding from private sectors





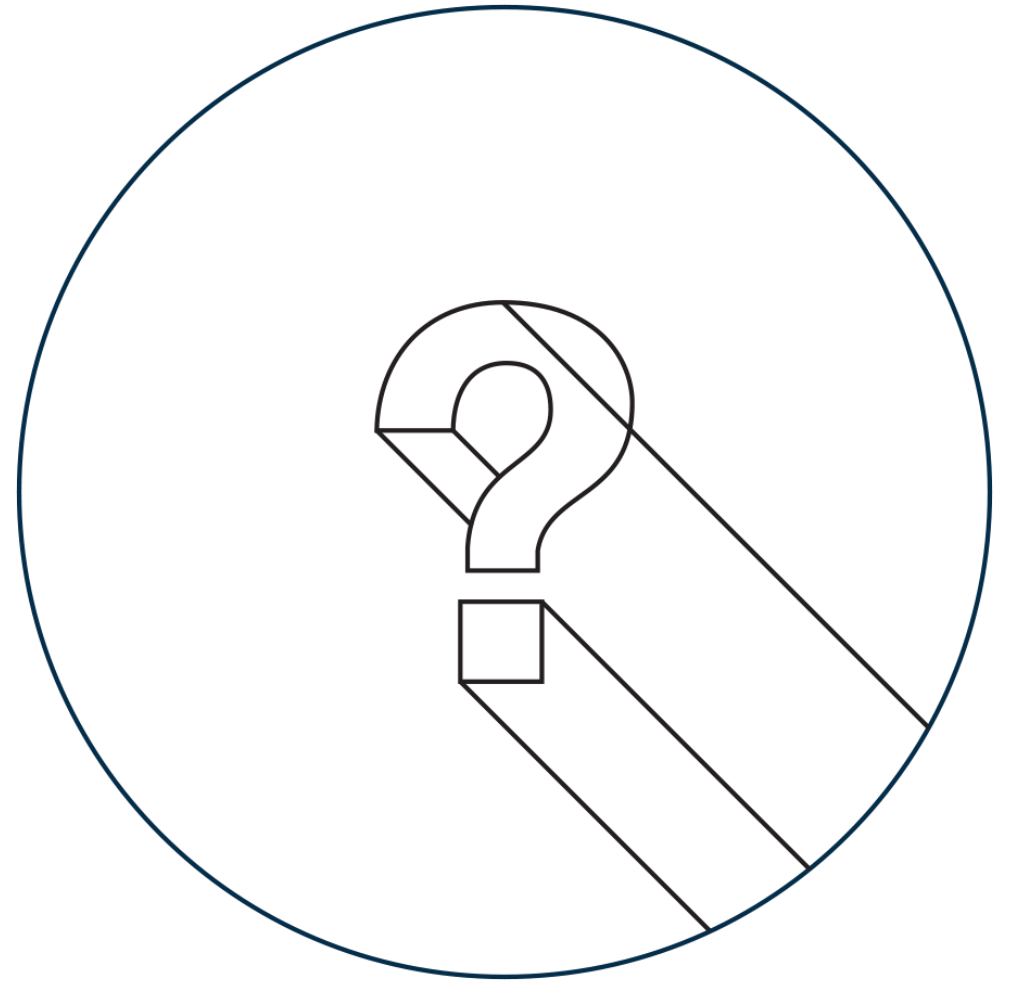
Luxembourg Protocol and railway rolling stock PPPs

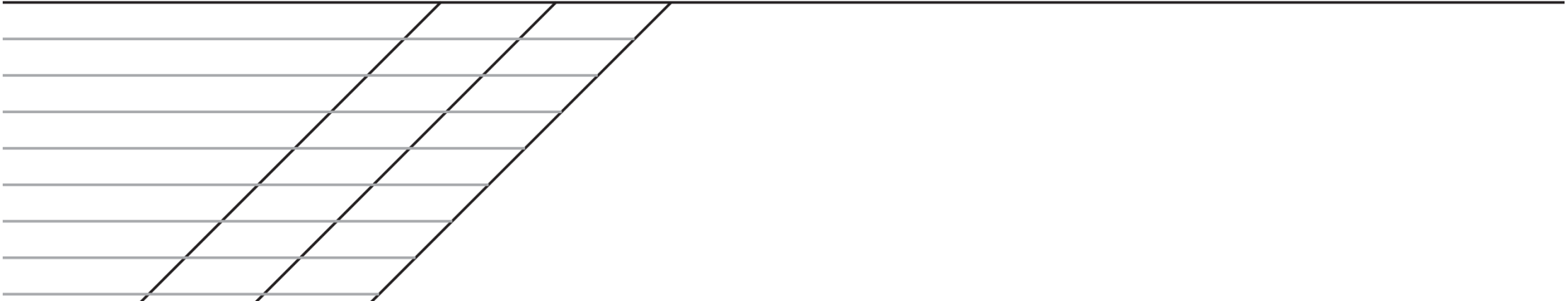
Conclusion/open question

Cape Town Convention discount (applicable at the earliest stage following entry into force of the Aircraft Protocol)?



Questions?





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OTIF

Organisation intergouvernementale pour les transports internationaux ferroviaires
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