

PPPs TO BOOST  
ECONOMIC GROWTH  
LESSONS FROM THE PLAN DE  
RELANCE AUTOROUTIER

ABERTIS POSITION PAPER  
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# EXECUTIVE SUMMARY

*Plan de Relance Autoroutier* is a French-government initiative spurred by the success of the 2009 *Paquet Vert* (green package), which raised a substantial amount of private funds (€1.1 billion) to boost the country's economy, drive sustainability and create jobs in exchange for extensions of up to a year for some French toll road concessions.

Pleased with the results, the French government spent 2013 in talks with toll road concessionaires over the proposal for a second, and even more ambitious, investment package. This one finally entailed investment of €3.2 billion in exchange for extensions of concessions to be determined on a case-by-case basis.

The plan's main objective is to mobilise investment as a driver of the economy and employment at a time when both are in much need. The plan allows for private funding to start up public works initiatives quickly without affecting the budget deficit. This way, the French government can fund a powerful economic stimulus without causing an imbalance in its public accounts.

The EU authorities, especially the Directorates General for Competition (DG COMP) and for the Internal Market and Services (DG MARKT), scrutinised the compatibility of the French plan with community regulations. At the end of October last year, 2014, the European Commission gave the green light to the agreements signed between the French government and the concessionaires, considering that they constituted state aid compatible with the competition rules for the internal market.

There are similar initiatives that are going

in the same direction. In Italy the decree law known as "Sblocca Italy", published in 2014, aims to stimulate the economy bringing together a number of initiatives in various fields, mainly in the infrastructure sector. In Spain, a number of institutions have put forward investment plans based on principles similar to those of *Plan de Relance Autoroutier*. Among these, the proposal submitted in 2012 by the Spanish association of toll road concessionaires, ASETA (currently SEOPAN Concesiones), is perhaps the most similar to Relance Autoroutiers' Plan in terms of investment volume, project type and the expected benefits for the Spanish economy. Investment under this proposal could reach as much as €1.75 billion and generate more than 32,000 direct and indirect jobs.

In our view, this investment proposal is realistic and could feasibly attract private participation in projects of public interest capable of speeding up investment and, therefore, driving growth. Initiatives like the *Paquet Vert* and the *Plan de Relance Autoroutier* are en evidence that loyal and long-term public-private partnerships are not only possible, but desirable, and benefit the country and its citizens, thus serving the public interest. The French experience shows how they can have a positive impact on the national economy and comply with European legislation.

# INTRODUCTION

This document takes a look at the *Plan de Relance Autoroutier*, initiated by the French government in 2013, focusing on its original targets, execution and timetable.

Based on the conclusions, we look at the potential application of similar plans in other countries, and analyse proposals by various institutions.

## PLAN DE RELANCE AUTOROUTIER

### DESCRIPTION

The *Plan de Relance Autoroutier* is an initiative by the French government inspired by the success of *Paquet Vert* of 2009, when the government agreed with motorway concessionaires an environmental investment package of more than €1.1 billion in exchange for extensions to their concessions based on the amount of individual investment borne by each.

The *Paquet Vert* mobilised a substantial amount of private funds to boost the economy, drive sustainability and create jobs without putting a strain on the government's budgets or France's deficit.

### THE PAQUET VERT IN FIGURES



PROTECTION OF WATER  
RESSOURCES

**277** actions carried out



REDUCTION OF NOISE  
POLLUTION

**24KM** of noise barriers

**880** homes soundproofed

**271KM** of low-noise asphalt



PROTECTION OF BIODIVERSITY

**5** wildlife crossings

**20,000** Plants sown, including  
10,000 trees



ECO-RENOVATION

**445** rest areas renovated



CO<sub>2</sub> EMISSIONS REDUCTION

**1,271** Parking spaces for carpooling

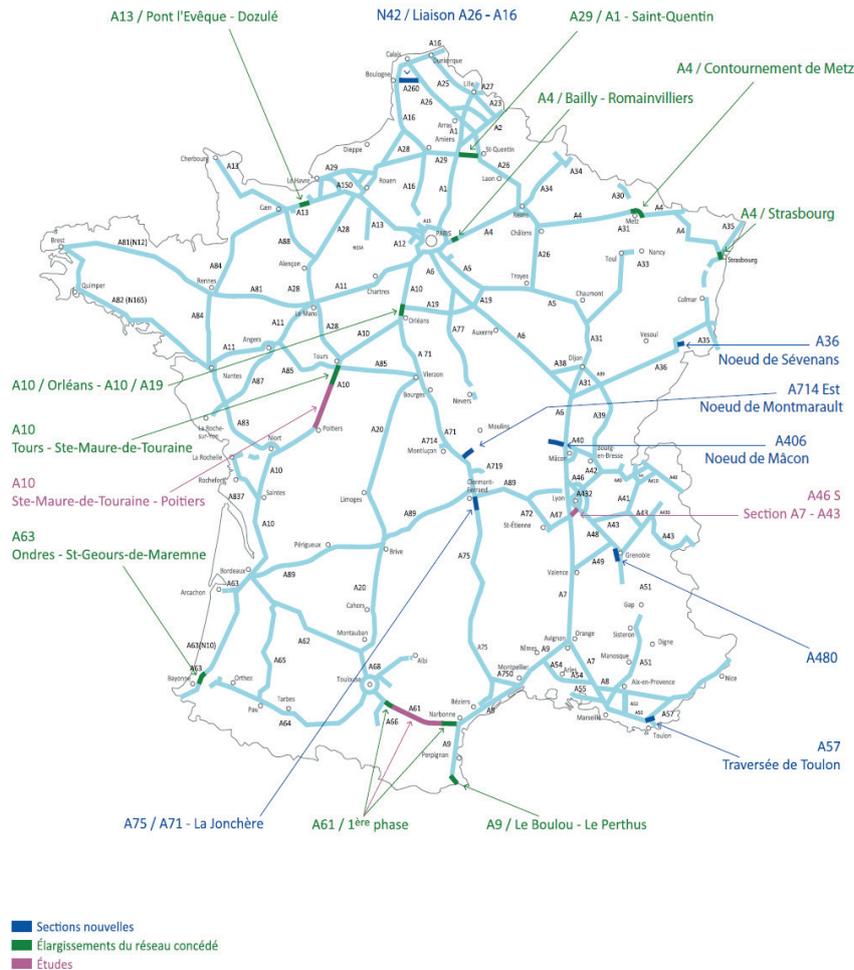
**387** free-flow toll collection lanes

**TOTAL AMOUNT INVESTED: 1,168M€**

Pleased with the results, the French government spent 2013 in talks with toll road concessionaires over the proposal for a second motorway upgrade investment package, known as *Plan de Relance Autoroutier*, which

is even more ambitious than its predecessor. The new plan is designed to jump-start investment in French public works and drive employment.

### PLAN DE RELANCE AUTOROUTIER PROJECT MAP

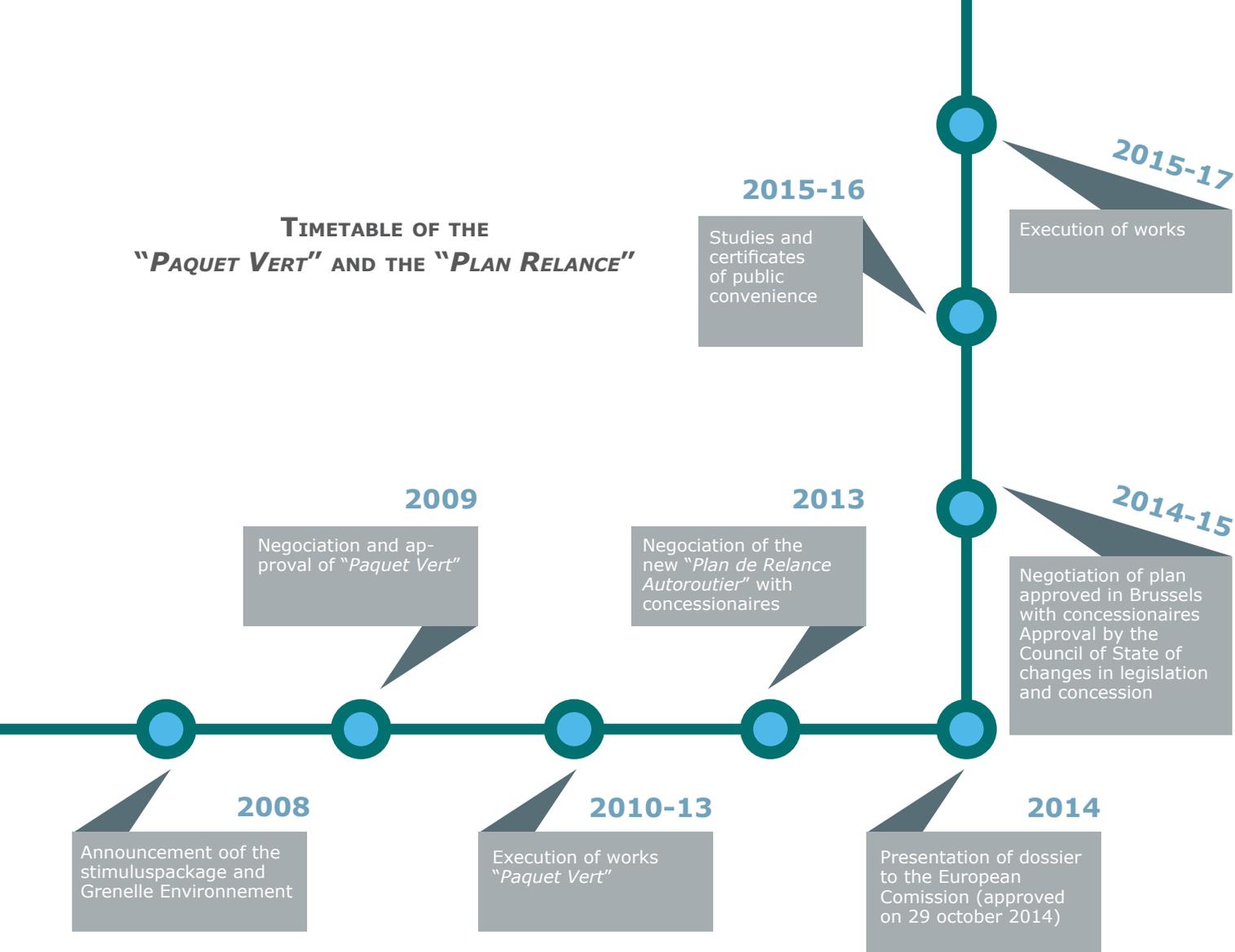


The new plan originally pinpointed a total of 26 public works and civil engineering projects in France’s concessioned toll road network. It called for total investment of €3.6 billion in exchange for further extensions to concessions ranging from four months to six years according to the project.

After a thorough revision, on 29 October 2014 the European Commission authorised a final package entailing 22 projects and a €3.2 billion investment (see *Plan de Relance Autoroutier* project map above). The projects

include enlargement of existing stretches, the creation of new interchanges, the completion of routes and other environmental and road safety upgrades. The revised plan is now awaiting ratification by the French government. The aim is to begin studies and drafting final projects in 2015 and completing, at least partially, the work during the current legislature.

## TIMETABLE OF THE "PAQUET VERT" AND THE "PLAN RELANCE"



## OBJECTIVES OF THE FRENCH GOVERNMENT

The plan's main objective is to mobilise a large level of investment as a driver of the economy and employment.

The plan allows for private funding to start up public works initiatives quickly without jeopardising the stability pact's budget deficit and public debt targets.

The French Minister of Public Works said "this plan implies a major effort to adapt and improve road safety, while providing a boost to public works and creating thousands of jobs". In his view, the French government has designed *Plan de Relance Autoroutier* in such a way that it can create some 10,000 jobs during the current legislature, which ends in 2017.



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## DESCRIPTION OF THE PROCESS: FROM PAQUET VERT TO PLAN DE RELANCE

In December 2008, the French government unveiled an economic stimulus package targeting investment as a means of “sustaining the activity of today and preparing for the competition of tomorrow”. The plan called for €26 billion of investment over a two-year period in the construction and automotive industries, spread over some 1,000 projects.

At the same time, a series of environmental measures, known collectively as Grenelle Environnement, were also approved to minimise the impact of transport. Measures included the introduction of the eco tax (applying the EU Eurovignette Directive), the transition to more environmentally-sustainable roads or the strengthening of the existing concession model.

Based on these two initiatives, Abertis and Vinci -two of France’s main toll road operators- presented to the French government the *Paquet Vert*, to mobilise private investment as a driver of the economy and without affecting the budget deficit. This plan entailed a total investment of over €1.1 billion between 2010 and 2013. Finally, a sector plan was agreed among all the toll road concessionaires entailing a set of actions focused on enhancing road safety, improving the environment and reducing CO2 emissions, in addition to providing other solutions.

Encouraged by the success of *Paquet Vert*

in delivering its targets, when this initiative ended in 2013, the French government, together with the sector, came up with a proposal for a new stimulus package known as *Plan de Relance Autoroutier*. This plan is even more ambitious in terms of scope (not limited to environmental improvements), investment commitments by concessionaires (originally set at €3.6 billion) and, accordingly, the extensions of the concessions required to recoup the investment (up to six years depending on the investment required for each project).



Encouraged by the success of *Paquet Vert*, the French government, together with the sector, came up with a proposal for a new stimulus package known as *Plan de Relance Autoroutier*.

## ASSESSMENT OF THE INVESTMENTS

The French authorities have assessed the lengthening of concessions in proportion to the required investment in each project and traffic forecasts for each section such that toll revenue during the extended period would allow the concessionaires to recoup

their investments and obtain a reasonable return on capital.

The extension is calculated in proportion to the investment based on common asset valuation techniques, whereby the

investment is strictly equivalent to the financial break-even of existing concessions. Using this valuation method, the French authorities ensure that the impact on the sum of all the project's future revenue and expense flows discounted to present value is neutral, factoring in a reasonable return on the investment (ROI) made and the cost of long-term debt -recovery of investment at the end of the concession- to consider an appropriate spread above the current cost,

which is low at present.

The authorities have also verified that the costs of the works to be carried out were determined using objective and transparent criteria, taking as a basis the costs of other projects executed recently.



**(...)the required investment in each project and traffic forecasts for each section would allow the concessionaires to recoup their investments and obtain a reasonable return on capital.**

## APPROVAL BY EU AUTHORITIES

Under EU regulations, the agreements between the French government and concession operators prolonging concessions are considered substantial modifications of the concessions that could infringe on the principle of free competition –by limiting access to potential competitors- and represent a form of state aid that would require approval by the European Commission.

As for *Paquet Vert*, the European Commissions considered that the agreements between the French government and the concessionaires constituted state aid that was compatible with competition rules for the internal market. A decision by the Secretary-General of the European Commission of 17 August 2009 justified this compatibility because of

the involvement of undertakings entrusted to companies that manage services of general economic interest (art.86.2 of the TCE). The decision set out the need to ensure compliance with the principles of non-discrimination, competition, transparency and control, instrumented in the form of a number of conditions and obligations for the French government and the concessionaires.

In the case of *Plan de Relance Autoroutier*, the French government submitted the plan for approval and review by the European authorities in May 2014. The process was overseen at all times by the French government, acting as the sole intermediary with the European authorities, requiring the details and explanations for each project from the concessionaires when requested



**On September 2nd, 2015 the French government formalised with the main concessionaires the Plan de Relance Autoroutier with an investment of €3.2 billion.**

by the European Commission. DG COMP and DG MARKT analysed each project presented independently. On 29 October 2014, they agreed not to raise objections to 22 of the 26 projects submitted, with adjustments to the concession extensions. They rejected those projects proposing network extensions outside existing concessions unless they

connected to sections that were already concessioned.

On September 2nd, 2015 the French government formalised with the main concessionaires the *Plan de Relance Autoroutier* with an investment of €3.2 billion. Studies are slated to begin and final projects drafted between 2015 and 2016, while the necessary certificates of public convenience are expected to be obtained so that works can commence before the end of the year.

## FURTHER EXAMPLES: SBLOCCA ITALIA

On 12th September, 2014, a decree law was published in Italy, known as Sblocca Italia, a "Decree on Urgent measures for the opening of works, the construction of public works, the digitalization of the country, the bureaucratic simplification, the hydrogeological openness, and for the resumption of the economic activities production".

The Decree includes initiatives on various fields, especially in infrastructures (transport, telecommunications; energy) with the aim to boost the economy and resume stalled projects for administrative reasons, such as reducing the level of delays in public procurement.

The Sblocca Italy Decree foresees concrete measures that mobilize private resources in motorway sector with an investment amounting to 2.200 M €. In return for these investments, the State agrees to extend the concessions as the volume of investment. The projects are still pending of approval by both, the Italian administration and the European Commission.

The Commission has now opened a dialogue to ensure that the agreements meet the criteria set in the regulation of State Aid Policy and the Concessions Directive.

# PROPOSALS FOR POTENTIAL APPLICATION IN SPAIN

The Spanish concession industry realises it must be more pro-active, promoting investment initiatives that have proven to be valid and effective in countries like France, and that could equally be applied in Spain. ASETA<sup>1</sup> in 2012 and the Spanish Competitiveness Council<sup>2</sup> in 2014, among other institutions<sup>3</sup>, have put forward investment plans based on similar principles to those in *Plan de Relance Autoroutier*.

Among these, the proposal submitted by ASETA (currently SEOPAN Concesiones) is perhaps the one that most resembles the French plan in terms of investment volume, project type and the expected benefits for the Spanish economy. In 2012, ASETA identified an investment of over €1.3 billion in mature toll roads, estimating that it could create more than 24,000 jobs and

approximately €760 million in fiscal revenue for the government. Other projects were identified later in the Mediterranean and Ebro corridors taking total investment up to some €1.75 billion.

The main Spanish concessions mature sooner than their French counterparts. This could make it easier to extend the concessions in exchange for investment, with the results being seen and the compensation calculated in the short term.



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<b>PROJECTS IDENTIFIED IN SPAIN</b>		<b>€ Mn</b>
Road safety upgrade	Adaptation of containment systems	171
	Adaptation of tunnels to comply with RD635/2006	246
	Adaptation of sections, station and marker posts	91
	Improvement in signalling	20
<b>Subtotal</b>		<b>528</b>
Environmental upgrade	Noise barriers	54
	Wildlife protection and landscape restoration around motorways	102
	Surface water run-off devices	32
	Use of renewable energies, environmentally-friendly asphalt and other	10
<b>Subtotal</b>		<b>198</b>
Capacity, quality and service level upgrades	Road expansion	496
	Mediterranean corridor upgrades	134
	Ebro corridor upgrades	279
	New road connection sections	10
	Safety improvements in service, rest and parking areas	53
	Increase of ITS facilities	39
	Winter maintenance facilities	16
<b>Subtotal</b>		<b>1027</b>
<b>Importe Total</b>		<b>1,753 € Mn</b>

## ECONOMIC IMPACT

A number of academic studies and research by institutions, such as the IMF and OECD, defend the multiplier effect of investment in infrastructure, especially in times of crisis, estimating that a 1% increase in investment would lead to a 1.5-3% increase in GDP<sup>4</sup>.

With public administrations finding it difficult to raise finance, the private sector offers the possibility of investing by providing capital without affecting debt-to-GDP ratios. Moreover, it would reduce debt over the short term by both the multiplier effect and the fiscal return (considering that investment in infrastructure produces a fiscal return for the government of over 60%<sup>5</sup>).

The estimated impact on employment is that for every €1 million of public investment, 18 jobs are created<sup>6</sup>, directly and indirectly. This does not include deduced employment in other sectors.

Severe cutbacks to public and private investment in civil engineering throughout the lengthy crisis have had a pro-cyclical effect. The consequences for aggregate demand and existing infrastructure stock have been negative<sup>7</sup>. A stimulus plan following the Plan de Relance Autoroutier example could boost public capital stock through private investment.

Impact of investment on productive activities			
	Jobs created (000s)		Fiscal Return <sup>1</sup> (porcentaje)
	Construction	Total	
Total construction	127,1	189,1	0,62
Residential construction	134,5	197,2	0,53
Infrastructure construction	117,5	180,6	0,62
Other Construcciones	120,3	179,8	0,61

(1) Fiscal revenue linked to activity generated by investment equivalent to 1% of GDP as a percentage of GDP. Considers VAT rates existing at 1/1/2013.

Meanwhile, current circumstances are propitious to tap available resources in the construction sector. The Spanish sector currently boasts excess capacity and is more competitive in terms of production costs and materials.

In conclusion, we would highlight that with this proposal, investments are not funded by taxpayers through government budgets, but rather by the motorway's operating profit. As the infrastructures are already

operated under a pay-per-use model, users bear the cost of the investments. Road users reap immediate benefits from infrastructure upgrades and pay the cost in the future -in the event of extensions to concessions- or at their proportionate share -in the event of tariff increases-. Moreover, since mature concessions with stable revenue streams are involved, the projects should not have any major problems raising finance at a relatively low cost.

## LEGAL FRAMEWORK

Compensation to motorway concessionaires for investments could come in the form of an extension of the concession term or a modification in toll-road tariffs, depending on the specific concession. Spanish legislation contemplates both options. The prevailing legal framework for concessions in Spain, governed by Legislative Royal Decree 3/2011 approving the Consolidated text of the Public Sector Contracts law, includes both compensation mechanisms in the event of a modification to contractual terms.

Meanwhile, on 4 July 2014, Royal Decree-Law 8/2014 approving urgent measures for growth, competitiveness and efficiency was published. This legislation promotes private investment in port and connection infrastructures between maritime and terrestrial transport in exchange for extensions to concessions and extraordinary

concession renewal linked to the contribution to infrastructure financing. The same principle could be extended to other infrastructures, such as motorways.

As evidenced by the French experience, a plan of this type could be approved by community authorities since the state aid could be regarded as being compatible with competition rules for the internal market.

## AN OPPORTUNITY TO UNLOCK THE VALUE OF SPAIN'S INFRASTRUCTURE STOCK

We understand that a plan like this, which entails substantial short-term investment in exchange for a future extension of the concession period, could meet some resistance by consumers. Public opinion is often that tolls are an additional surcharge and not a co-responsibility in funding infrastructure that is essential for a country's economic growth.

For the measures to be more accepted socially, concession extensions and the concept of pay-per-use should be consistent across the entire high-capacity motorway network. This would unlock the value of the infrastructure stock and reduce the burden on governments of the lofty upkeep and maintenance costs.

Recent revenue estimates<sup>8</sup> based on pay-per-use tariffs for Spain's high-capacity motorway network point to an income range of €1.6-4.4 billion a year depending on whether it includes only heavy vehicles or also passenger vehicles, and on expansion of the network subject to pay-per-use.

The same study estimated the generation of around €14 billion of resources (upfront payment) from a 30-year concession for certain segments and corridors, and cumulative saving in public expenditure on network upkeep and maintenance of €100 billion.

Part of the funds obtained could be earmarked to offset the impact on the transport sector, similar to what Germany did with the income from application of the Eurovignette, or tax breaks for the transport and/or automotive industries. Application of the Eurovignette would also be a measure aligned with EU transport policy, which also pursues consistent competition conditions in

the various transportation modes whereby each bears the costs they generate.

Moreover, Spain has the largest High Capacity Road Network in Europe, but only 20% is tolled, thus having an inharmonious system within Spain and with the rest of Europe, where the network is tolled 100% at least in the case of Heavy Goods Vehicles, see the following chart<sup>9</sup>. So the opportunity to align the infrastructure policy with Europe is very high.

# CONCLUSIONS

The “*Plan de Relance Autoroutier*” has mobilized a large amount of private resources in the service of the economy, sustainability and employment generation. Not only it has improved the national public interest as a whole, but also, it has done it without affecting the public deficit, with the possibility to allocate more resources to other economic or social needs. In return, these initiatives have granted extensions in the concession period, adjusted to each case and proportional to the investment made for a fair return on investment.

Such initiatives must be in accordance with European legislation on State Aid and Procurement, following the directive of concessions in projects that require it, along with the principles of transparency and competition set by the EU. In this sense the Plan has been prepared by the French authorities in coordination with the European Commission (DGMARKT and DGCOMP), which after a careful analysis have endorsed its compatibility with the competition rules of the EU internal market.

Public-private partnerships of this kind have proven beneficial in the past, and are aligned with the objectives of Plan Juncker. Therefore, they can serve as examples for the mobilization of private funds in the development of long-term investments in infrastructure. In the case of infrastructures already operated under a pay-per-use scheme, users are the immediate beneficiaries of the infrastructure improvements, and pay its cost in the future in the case of extensions of the concessions – or proportionally in the case of rate increases. Note also that these initiatives are based on the “user pays” and “polluter pays” principles promoted by the EU. Besides promoting

the internalisation of external costs (eg pollution, accidents, etc.) with tolls, this type of investment can be aimed at improving the environmental impact of infrastructure and traffic, as done in the French case.

In this position paper we also highlighted other examples of initiatives that are going in the same direction, even though they have not yet implemented. In Italy the decree law known as “Sblocca Italy”, published in 2014, brings together a number of initiatives in various fields, especially in infrastructure, aiming to stimulate the economy and resume stalled projects. There are several proposals from the private sector in Spain. Of these, the proposal submitted in 2012 by the toll chargers association ASETA (currently SEOPAN Concessions) is perhaps the closest to the *Plan Relance* investment volume, type of project and expected benefits for the Spanish economy. In the Spanish case, investments could eventually total 1,753 million euros and generate more than 32,000 direct and indirect jobs.

In short, we believe that initiatives, such as the French *Plan de Relance Autoroutier*, satisfy the interests of all stakeholders (society, state and private sector). It is an evidence that loyal and long-term public-private partnerships are not only possible, but desirable, and benefit the country and its citizens, thus serving the public interest. The French experience shows how they can have a positive impact on the national economy and comply with European legislation, so it could be a useful example for boosting the EU and its Member States economy

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