



Czech Republic
Ministry of Transport

PPP Project - D4 Highway



INDUSTRY DAY

February 12th, 2018

www.pppd4.cz

Introduction to PPP Project - D4 Highway

Project

- 32 km greenfield part *(DBFOM)*
- 16 km brownfield part *(O&M)*

Public Authority

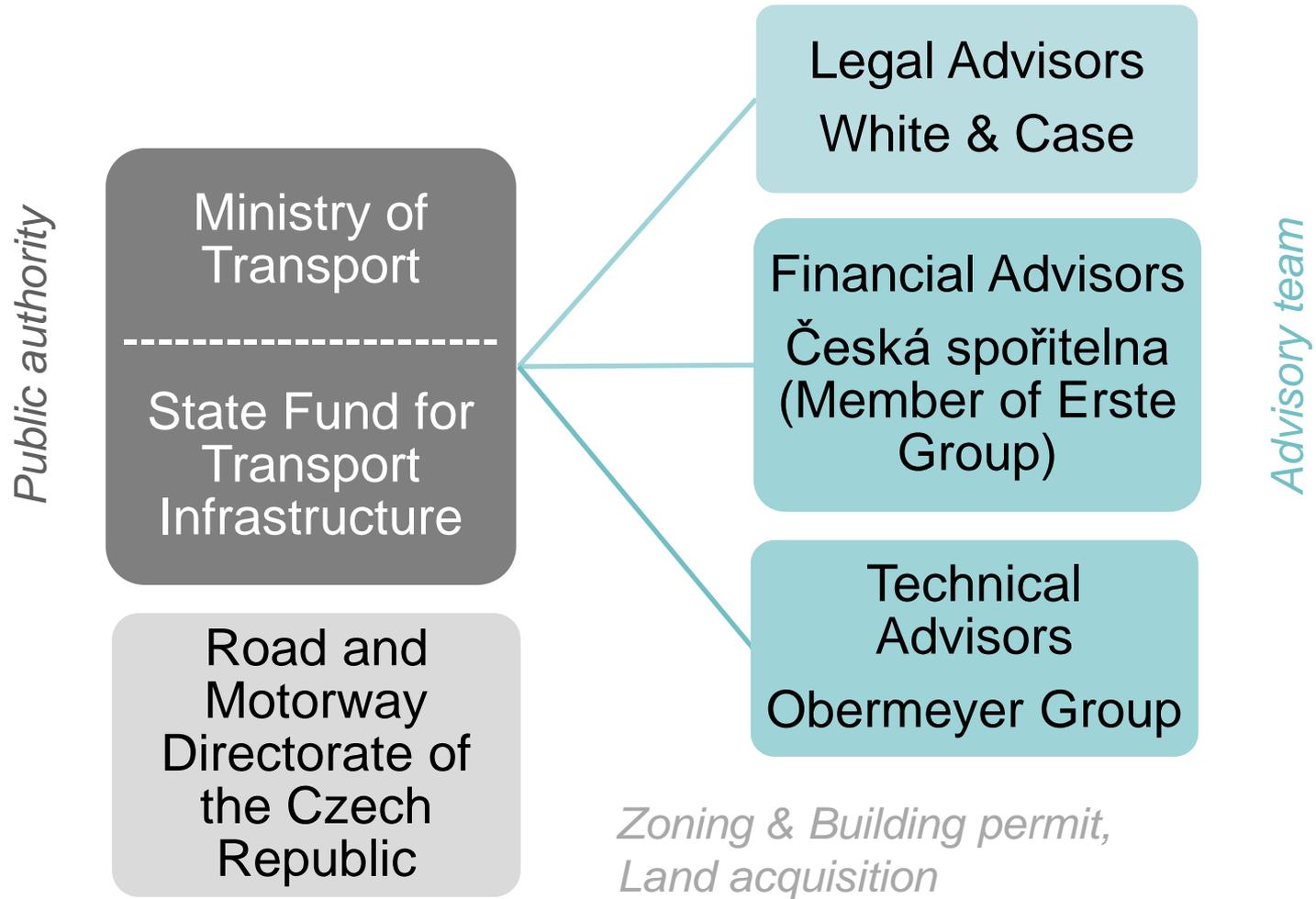
- Ministry of Transport of the Czech Republic *(MoT)*
- State Fund for Transport Infrastructure *(SFDI)*



Dan Ťok
Minister of Transport



Project Preparation Team



Public Authority - Project Management



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Director of State Fund for Transport
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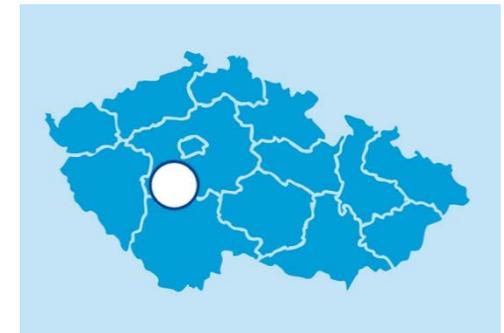
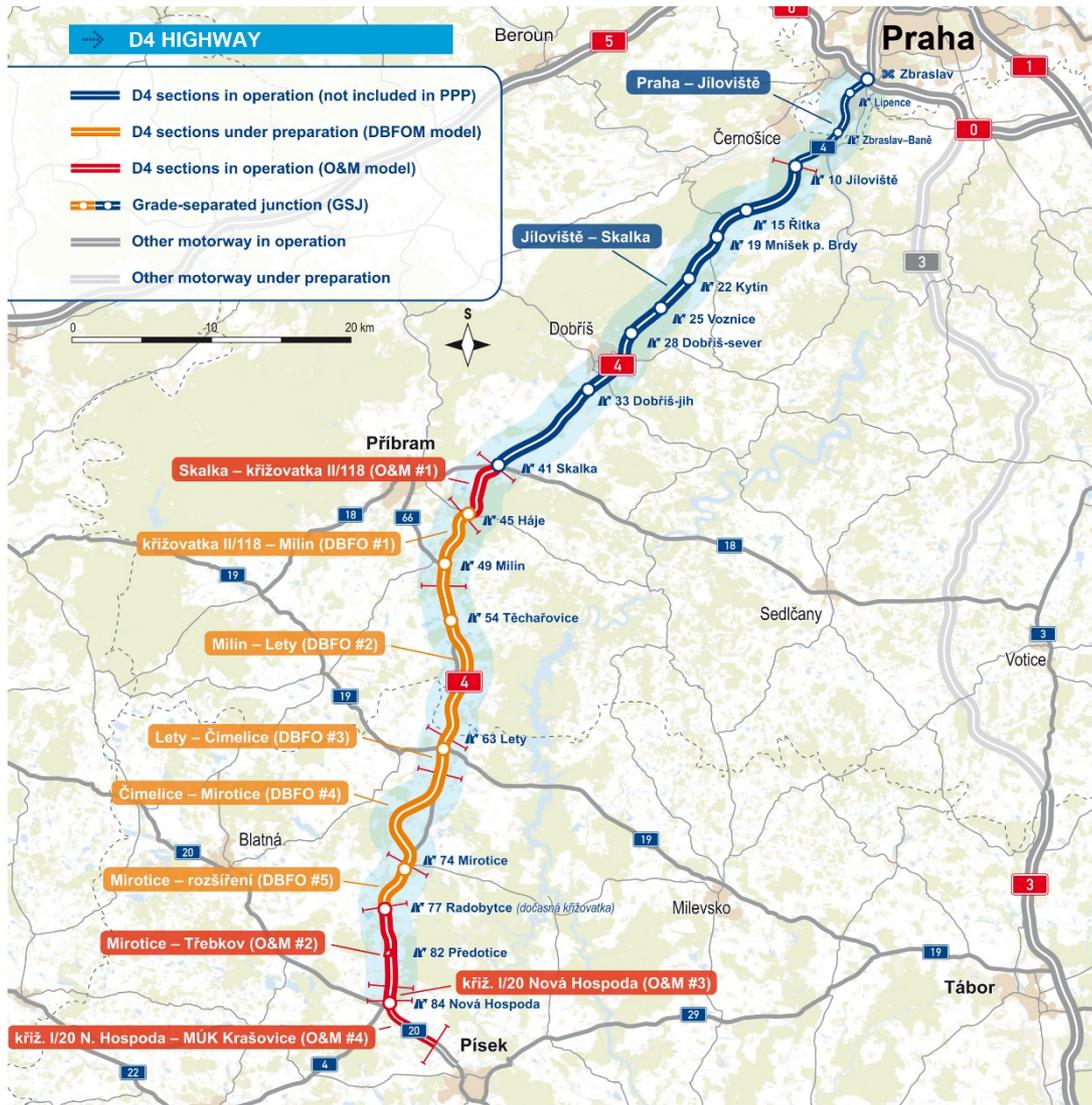


Radim Průša
Local PPP Expert



Jan Hejral
Local PPP Expert

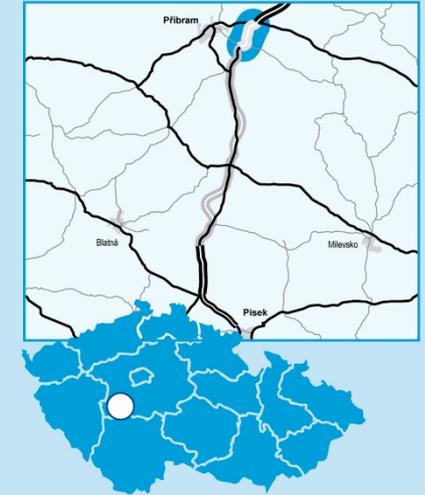
D4 Sections



- O&M #1**
Skalka – Intersection II/118
- DBFO #1**
Intersection II/118 – Milín
- DBFO #2**
Milín – Lety
- DBFO #3**
Lety – Čimelice
- DBFO #4**
Čimelice – Mirovice
- DBFO #5**
Mirovice – extension
- O&M #2**
Mirovice – Třebkov
- O&M #3**
Intersection I/20 Nová Hospoda
- O&M #4**
I/20 N.H. – Písek (Krašovice)

Section O&M #1

Skalka - Intersection II/118 (Háje)



Part: **Brownfield**

Length: 4.8 km

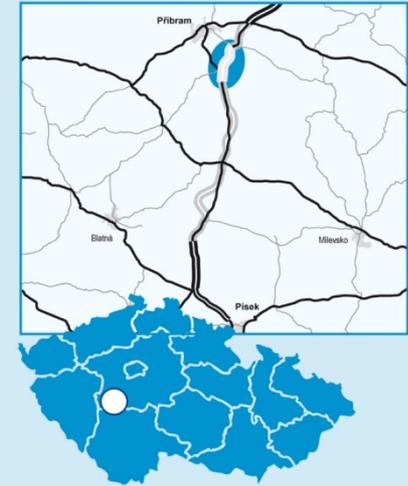
Category: S22,5

Design Speed:
80 km/h

In operation since:
2017

Section **DBFO #1**

Intersection II/118 (Háje) - Milín



Part: Greenfield

Length: 5.6 km

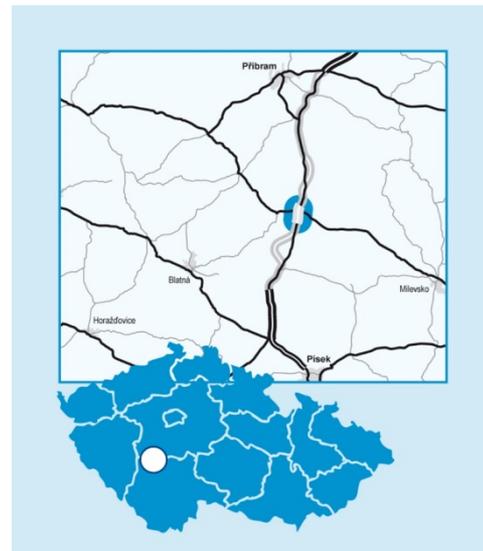
Category: D25,5

Design Speed:
120 km/h

No. of Lanes: 4

Section DBFO #3

Lety - Čimelice



Part: **Greenfield**

Length: 2.6 km

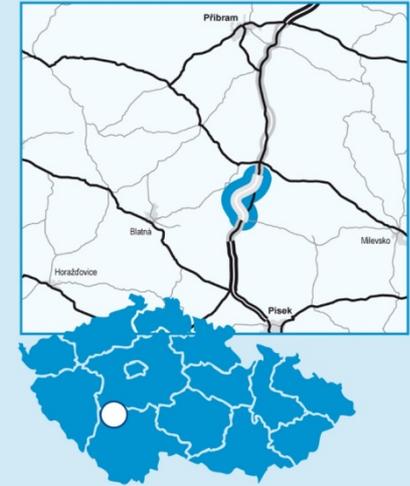
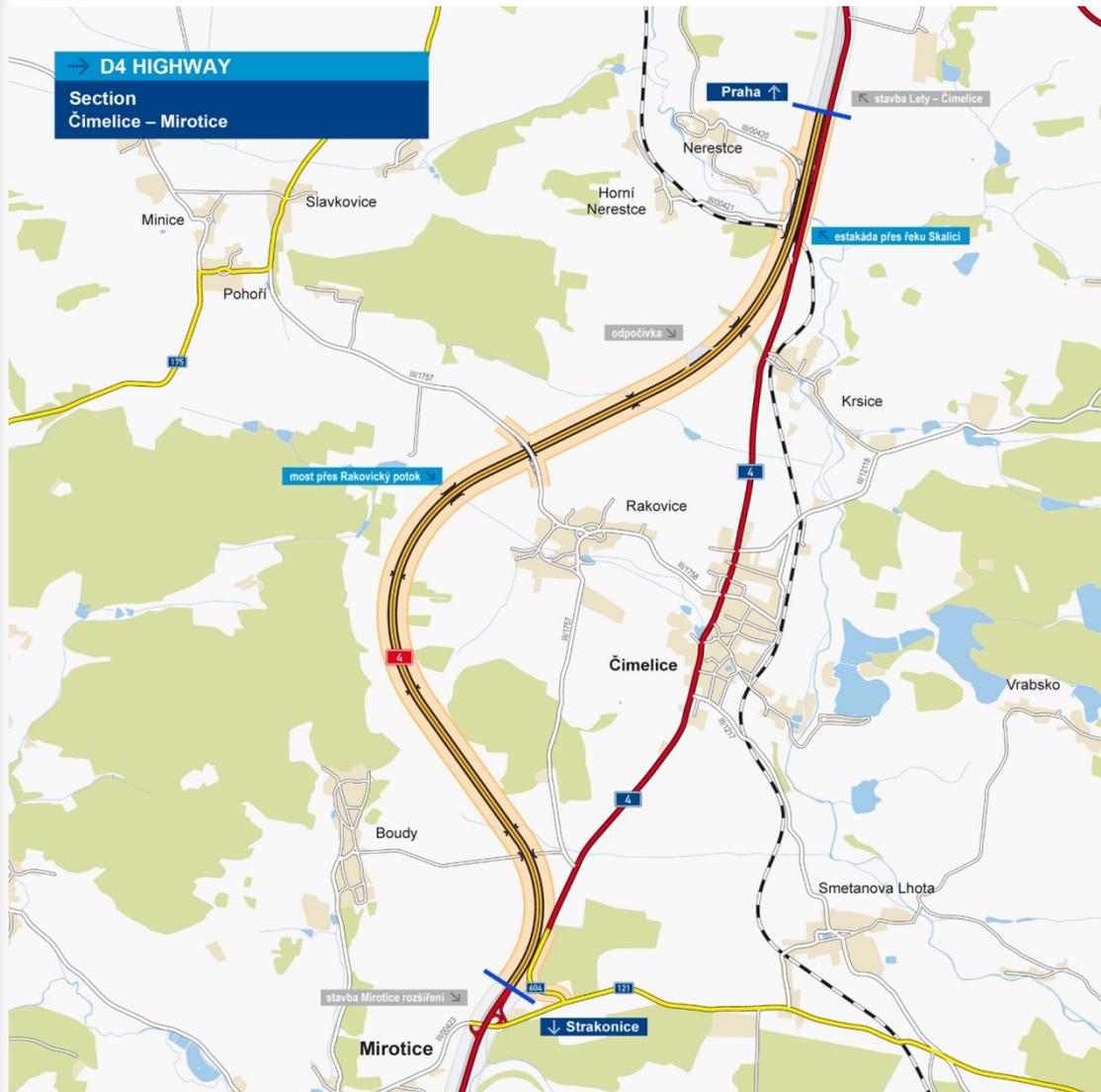
Category: D25,5

Design Speed:
120 km/h

No. of Lanes: 4

Section DBFO #4

Čimelice - Mirovice



Part: **Greenfield**

Length: 8.5 km

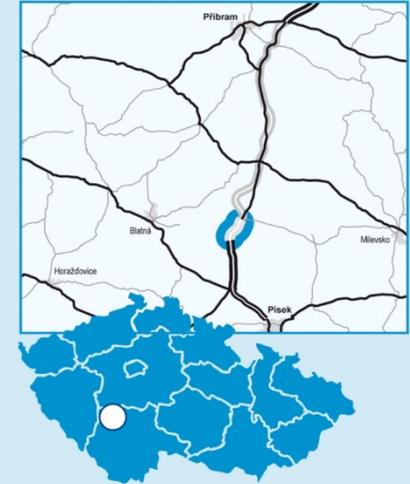
Category: D25,5

Design Speed:
120 km/h

No. of Lanes: 4

Section **DBFO #5**

Mirotice - extension



Part: Greenfield

Length: 3.6 km

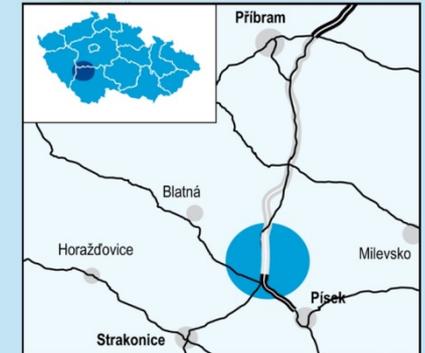
Category: D25,5

Design Speed:
120 km/h

No. of Lanes: 4

Section O&M #2

Mirotice - Třebkov



Part: **Brownfield**

Length: 5.9 km

Category: D22,5

Design Speed:
100 km/h

In operation since:
2010

Section O&M #3

Intersection I/20 Nová Hospoda



Part: **Brownfield**

Length: 0.8 km

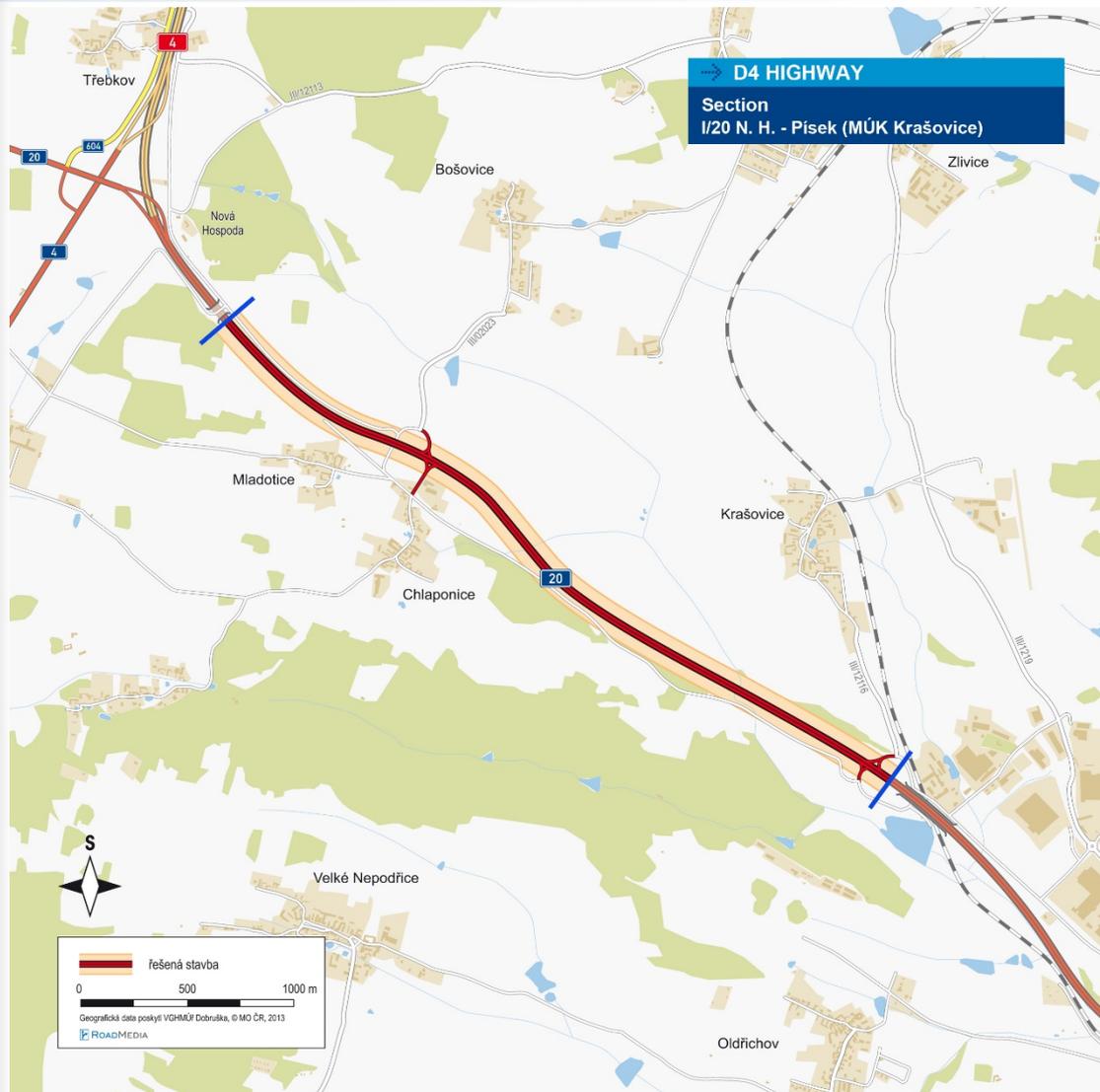
Category: D22,5

Design Speed:
100 km/h

In operation since:
2007

Section O&M #4

I/20 Nová Hospoda – Písek (Krašovice)



Part: Brownfield

Length: 3.9 km

Category: D22,5

**Design Speed:
80 km/h**

**In operation since:
2004**



Timeline for Project Preparation

- Changing EIA
October 2018
- Zoning permit documentation
Done
- Zoning permit
Valid
- Actualization of building permit documentation
December 2018
- Land acquisition completed
October 2019
- Building permit
Second half of 2019



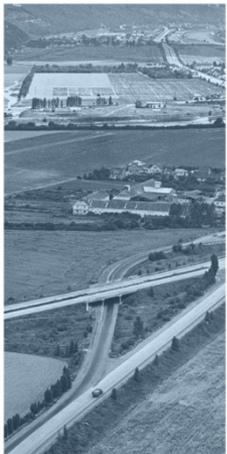
Indicative Timeline of Competitive Dialogue

- Publishing of Prior Information Notice
February / March 2018
- Commencement of Tender Procedure
April 2018
- Deadline for Submission of Request to Participate in Competitive Dialogue
June 2018
- Invitation from Contracting Authority to Participants Not Excluded in Qualification Stage to Participate in Competitive Dialogue
September 2018
- Start of Competitive Dialogue
October 2018

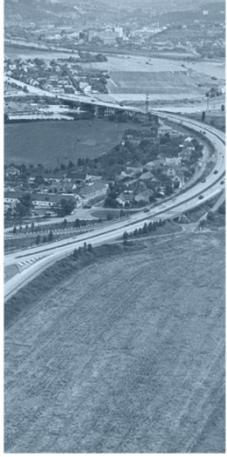


Tender Procedure

- Concessionaire will be selected in a **tender procedure with competitive dialogue** in accordance with Section 60 *et seq.* of Czech Act No. 134/2016 Coll., on the Public Procurement Process, as amended (the “PPA”), and in accordance with Czech Act No. 13/1997 Coll., on Roads, as amended
- Four pre-qualified bidders are expected to participate in competitive dialogue



Financing Structure (1)



Main bid selection criterion	The lowest present value of availability payments
Expected general financing structure	Equity & bank debt
Public Authority's Share of Overall Construction Cost	None
Multilateral involvement	EIB participation is being considered
Required level of committed financing at bid submission	Debt: 100% minus expected EIB part Equity: 100% All material lenders' and investors' due diligence completed by BAFO Non-exclusivity under consideration
Changes of debt pricing between BAFO and FC	Basis rates – Public Authority Margins – Concessionaire
Requirement for off-balance sheet treatment (ESA 2010)	Highly preferable

Financing Structure (2)

Refi-gain sharing	<ul style="list-style-type: none">▪ Up to 33% for the Public Authority
Compensation for early termination	<ul style="list-style-type: none">▪ Public Authority's default – outstanding debt (incl. all related loan break costs), outstanding equity and lost profit (IRR)▪ Force majeure – outstanding debt (incl. all related loan break costs), equity investment less equity distributions▪ Concessionaire's default – market value of the concession
Payment mechanism	Availability payments Performance and availability deductions respecting the principle of proportionality



Issues for Discussion

1. Risk allocation between the public and private sectors with regard to “brownfield” parts (O&M sections)

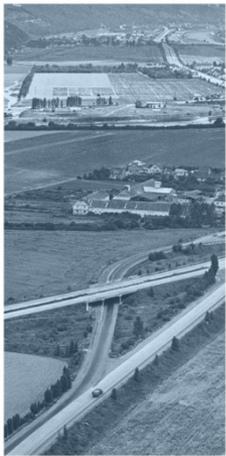
- Detailed technical documentation describing the current state of O&M sections
- Risk regarding correctness of the provided survey data
- Existing O&M facilities and personnel
- Renewal of O&M sections by the concessionaire as a factor for risk allocation
- Question of whether to hand over O&M sections to the concessionaire for maintenance immediately or only after the DBFO sections are completed



Issues for Discussion

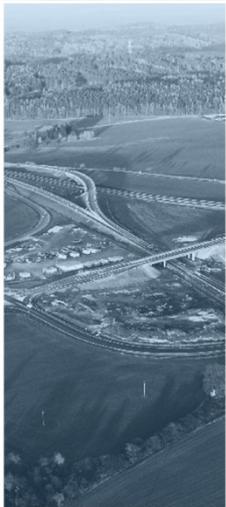
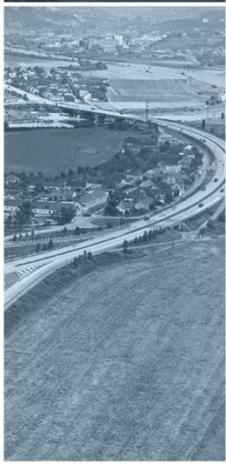
2. Technical documentation (minimum level) for a final tender offer after completion of the competitive dialogue

- **Greenfield sections** - zoning permit in full scope
 - EIA
 - building permits (for financial close)
- **Brownfield sections** - surveys of actual status
 - detailed technical inspection
 - operational reports
 - historical maintenance data



Issues for Discussion

3. Construction readiness (minimum level) for a final tender offer after completion of the competitive dialogue

- Land expropriation, easements (responsibility of the public sector)
 - Basic option with the minimum technical requirements
 - Adjustment of the design
- 
- 



Issues for Discussion

4. Off-balance sheet treatment according to ESA 2010

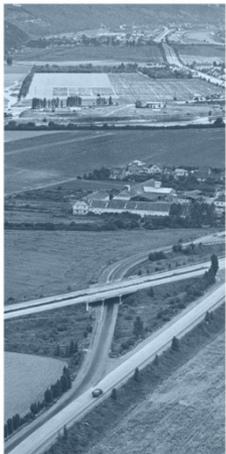
- Structuring the project as off-balance sheet provides less comfort to lenders (limited guarantees, e.g., in the event of early termination due to concessionaire's default) and thus impacts the debt price
- Not a condition precedent to financial close for Czech D4 project



Issues for Discussion

5. Involvement of multilaterals (EIB)

- Involvement of EIB under consideration given relatively small size of D4 project
- Considerable experience with EIB financing on the PPP market
- Involvement of EIB as a positive factor – provision of significant portion of debt, better terms than commercial banks, improvement of project image, supervision of PPP process and tender documents, etc.
- Commitment only for the preferred bidder, draft terms and condition to be distributed equally to all bidders
- Additional credit enhancement measures (e.g., mezzanine)



Issues for Discussion

6. Currency

- The Public Authority is considering pros and cons of scenarios with availability payments in CZK & EUR or in CZK only
- The starting position is to have the availability payments in CZK only to prevent FX risk



Other issues for discussion?



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**Thank you for your
attention.**