

# Newport SDR

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01/02/2003

European PPP/Transport Deal of the Year 2002

**Newport's southern distributor road (SDR) deal breaks a record with the longest maturity on a fixed-rate loan ever. With a tenor of 39 years the deal immediately grabbed the PPP market's attention and has successfully set a precedent with its ground-breaking documentation. It also marks the largest PPP road scheme in Wales to date, at £69 million, and is one of the few large transactions to be arranged and subsequently syndicated by an institutional investor. The deal has been named as pathfinder scheme and highlights a niche for more sizable institutional investment in PPP.**

AXA Investment Managers led the transaction for sponsors Morgan Sindall plc (UK) and Vinci Construction SA (France). Depfa was bought in at a later stage as joint arranger with £20 million of 33-year debt. The deal closed in March 2002. The 50/50 consortium is known as Morgan=Vinci Ltd. The construction contract of Newport SDR was awarded to a joint venture of the consortium, Morgan Est plc and Vinci Construction SA. Debt financing of £62.5 million was provided by participants Depfa (£20 million), Sun Life plc (£7 million) and Sun Life Assurance (£35.5 million). Revenue streams from the road, which is to be shadow tolled, will come 68% from subsidy in the form of £95 million in PFI credits, 27% from traffic payments based on extensive due diligence and 5% from safety and performance payments. The loan's margin during the construction period was 225bp over the 6% 2028 gilt for all tranches. There was an upfront arrangement fee of 100bp and commitment fee of 50bp. Monthly repayments start in the fourth year after a post-construction grace period. Morgan=Vinci director, Bob Fairful, says "We believed that for a 40 year concession we should get as long a tenor as we possibly could. Civil engineering PFI projects carry high risks when we are responsible for designing, building, financing and operating the project over a concession period of 40 years, however we are experienced at managing such risks as traffic volumes, design, ground conditions etc." Construction has already commenced on the 9km road, which involves the upgrading of a road and construction of a new road and bow arch bridge. It will serve an area that is currently undergoing urban regeneration. Since the project closed, Newport, which was previously a borough, has been awarded city status.

Newport SDR

Status: closed 9 May 2002

Location: Newport, Wales, UK

Description: PPP financing of a distributor road and bridge

Sponsors: Morgan Sindall plc and Vinci SA

**Debt: AXA Investment Managers providing £63 million over 39 years with Sun Life and Sun Life Assurance, syndicated down to Depfa with £20 million over 33 years. Equity funding of £6.4 million from the consortium**

Leads: AXA Investment Managers. Joint arrangers Depfa Bank

Lawyers to lenders: DLA

Lawyers to NCBC: Addleshaw Booth

Financial advisory: Deloitte & Touche

Traffic advisory/operation/maintenance: Ringway Highway Services

Technical advisory: Symonds, Oscar Faber

Insurance advisory: Aon

Model auditor: PKF

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