

Ruta del Sol 2: Colombia's banks step up for Odebrecht

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The Odebrecht-led Concesionaria Ruta del Sol consortium closed the Ps1.5 trillion (\$775 million) bank debt financing for the second leg of the Ruta del Sol toll road on 25 November. The financing is the first large-scale test of Colombian lender appetite for the Colombian governments latest PPP model, which combines a variable length concession, fixed remuneration payments and some exposure to traffic risk.

Ruta del Sol runs from the outskirts of Colombias capital, Bogota, to the Caribbean port of Santa Marta. It will, however, also carry passengers and goods from Colombias other, rather dispersed, urban centres, including Medellin, Cali, Barranquilla, Cartagena, and Bucaramanga. The road has a total length of 1,000km, and will run through a variety of terrain.

Colombias national planning department, DNP, and concessions agency, Inco, originally hoped to tender the project as a single section, but since it has a \$2.7 billion cost, and as 2008 drew on, the grantors and their adviser, the International Finance Corporation, decided to split the concession into three.

The first section, an 80km route between Tobiagrande-Villeta, about 90km north of Bogota, to the Magdalena River, was awarded to a consortium of Concreto, CSS Constructores, and Iecsa, and featured no traffic risk. The private operator was responsible for building and maintaining the section under a nominal 25-year concession. It was a short, but technically demanding, section.

The second section runs across more straightforward, low-lying terrain, but it has a much longer length, at 528km, and involves building roughly 100 bridges. It was awarded for roughly Ps2.1 trillion, and it runs through five departments and 20 municipalities between Puerto Salgar and San Roque. The concessionaire has to rehabilitate an existing two-lane road and build an additional two lanes alongside it.

The sponsors of the project company are Odebrecht, with 62%, Corficolombiana, part of the Grupo Aval financial conglomerate, with 33%, and CSS, controlled by Carlos Solarte, with 5%. The sponsors formed a bidding group July 2009 and won the concession in December 2009, ahead of an OHL-led group. An Impregilo/Grodco/Infracol/Bancolombia group won the third section, of 464km, between San Roque and Ye Cienaga, in July.

The project was Odebrechts first in the country since 2002, and the presence of this large Brazilian sponsor was taken as proof of the attractions of the Colombian infrastructure concessions programme. But Odebrecht, as it had with its successful forays into Peru, made sure to have CSS, a local construction company on board.

Equally significant was the presence of a domestic financial group as equity partner. Colombias banks are flush with cash, and many are branching out from lending into providing equity, even as less well-capitalised financial institutions try to launch infrastructure fund management businesses. Banks owned by Grupo Aval provided the project with a Ps200 billion bridge loan while the groups investment bank Corficolombiana worked to close the long-term financing.

The concessionaire will be repaid with a mixture of vigencias futuras and toll revenues. The vigencias are unconditional

obligations of the Colombian state, and are issued to the project upon completion of set parts of the project. Once issued, these payment obligations are not performance or traffic-linked. The vigencias can be assigned for the benefit of lenders, and are considered essentially sovereign payment obligations.

The sponsors considered, but decided against, a global peso bond issue, that would have offered a double-digit tenor, as well as potential pricing benefits. It would have drawn conceptually on the structure of the bond deals that Peruvian infrastructure issuers have assembled to monetise similar obligations, known as CRPAOs. Offers from the IFC and CAF of financing were similarly not used.

The resulting bank deal gives an indication of how competitive the Colombian bank market is. The Ps1.5 trillion bank loan is the longest-dated inflation-indexed (with a margin of 600bp over Colombia CPI) bank debt financing for a infrastructure deal, and has the longest availability period, at four years, for a Colombian project. The availability, or draw-down, period was particularly important because the second section has, at five years, a long construction period. The providers are Aval banks Bogotá, Occidente, Popular, and AV Villas, as well as Bancolombia, Davivienda and Helm.

The concession has a variable-length duration, with the sponsors expected to bid a net present value for the concession, and the concession terminating when this is reached, expected to be in around 15 years. The receipt of vigencias futuras will predominate in the concessions revenue mix early in the concession, with toll revenues becoming more important late on. In general, however, toll revenues will make up a third of the total, with vigencias futuras the remaining two-thirds. The traffic component was important enough that the sponsors, during the bid period, retained their own traffic adviser for additional studies.

The variable length concession and government payment obligations have made the project a tempting target for Colombian banks, and a domestic financing for the third section is a distinct possibility. The countrys pension funds, like their counterparts elsewhere, have little taste for construction risk, and in the absence of external guarantors, the banks have a relatively firm lock on the market.

Concesionaria Ruta del Sol

Status: Signed 25 November

Size: Ps2.1 trillion

Location: Colombia

Description: Construction and rehabilitation of 528km toll road

Grantor: Inco

Sponsors: Odebrecht (62%), Corficolombiana (33%), CSS (5%)

Debt: Ps 1.5 trillion

Lead arranger: Corficolombiana

Providers: Banco de Bogota, Banco de Occidente, Banco Popular, Banco AV Villas, Bancolombia, Davivienda and Helm.

Maturity: Ten years

Sponsor traffic adviser: Halcrow

Lender and sponsor legal counsel: In-house

Government advisers: Posse Herrera (legal), Steer Davies Gleave (traffic), IFC (financial)

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