

# European Transport Technology Deal of the Year 2011: Eco-tax

06/02/2012

The Autostrade-led Ecomouv consortium closed a Eu704.5 million (\$951.4 million) financing for the 13.5-year Eco-tax concession on 20 October. It was one of the first significant PPP concessions to be awarded to a non-French lead sponsor. The consortium was able to close the deal with diverse bank support and without recourse to the state guarantees on offer during the projects construction phase, despite the turmoil in the international bank market. The level of risk that the project, the first of its kind in France, carries, makes the final financing structure the more impressive.

The project entails the design, implementation and operation across 15,000km of Frances road network of an electronic tolling system that will track the movement of, and then charge a fee to, heavy goods vehicles, using satellite technology.

The project is designed to be revenue-enhancing for the French state, with an expected revenue stream of around Eu1.2 billion per year, the proceeds of which will be re-invested in forms of transport such as rail and water. The project will be operational by mid-2013, after the end of a three-month trial period in Alsace, and is backed with total availability payments of around Eu2.8 billion, plus some inflation-linked increases.

The deal came with some technical risk because of the lack of comparisons. Autostrade closed the Europass LKW-Mautsystem project in Austria in 2004, the worlds first automated national HGV tolling system, but this was based on microwave technology as opposed to satellite, which was required for Frances larger road network.

The deal also comes with some additional operational risks that PPP lenders are not used to taking on. French law prohibits the subcontracting of tax collection by a private entity to another private entity only the state is allowed to award a tax collection concession to the private sector. Consequently the toll collection operation for the project is not remote from the borrowing vehicle which brings with it additional risk for both sponsors and lenders.

As Daniele Meini, chief executive officer at Ecomouv, says: Usually in project finance you have a layer between the titular and sub-contractors. This is the case during the design build phase of the project; it is not the case during the operational phase. We have a live company rather than a shell, with more than 300 people.

The risk profile made encouraging healthy competition difficult, though the project initially pulled in five bidders. A Deutsche Telekom and Vinci-led consortium pulled out shortly after the project was tendered in August 2009 because the German telecoms company encountered an intellectual property issue concerning the use of its technology in France. Billoo Development submitted a bid for the project but failed at the first offer stage in December 2009.

MEEDAT, the French transport ministry, shortlisted the three other bidders: ETDE/France Telecom/CS Systèmes d'Information/Kapsch TrafficCom/FIDEPPP/SEIEF/DIF Infrastructure, supported by Credit Agricole and BNP Paribas; Sanef/Caisse des dépôts et consignations/Egis/Atos/Siemens, supported by Dexia; and Autostrade, with best and final offers due in September 2010.

The awarding of the contract in January 2011 to Autostrade took many in the market by surprise despite the technical strength of its bid. But Autostrade was the only bidder that was able to provide a working example of an on-board unit tracking the movement of a vehicle. In addition, it is rumoured that Autostrade offered the most competitive terms for both capital expenditure and the length of the construction period.

The grantors aimed to reach close by April. What followed, however, was a long legal appeal from Sanef against the awarding of the contract to Autostrade, which delayed financial close by six months. One of Sanef's main challenges was that Autostrade had entered the bidding process on a standalone basis, but had then accrued partners further on, which Sanef argued was prohibited under the tender rules. Autostrade responded that it informed the grantor of its intention to open up the shareholding at a later stage at the outset of the process.

The administrative court in Cergy-Pontoise originally annulled the decision of the French ministry to award the contract, but in June the Conseil d'Etat overruled this. In the end the delay did not put too much pressure on the financing structure because the tender rules stipulated that the sponsor had to provide a finance proposal that would hold for up to 9 months.

A club of five banks – Banca IMI, Credit Agricole, Deutsche, Mediobanca and Unicredit – are providing Eu411 million of project debt, Eu326 million of which is covered by a Dailly guarantee during operations and the rest is uncovered. The tenor on the Dailly debt is 13.5 years, matching the concession period, while the commercial debt has a tail of 6 months.

The banks are also providing a Eu138 million bridge loan during construction, which will then be taken over by Caisse des Depots et Consignations, the financing arm of the French state, when the construction period comes to an end. There is also a Eu30.5 million VAT revolver and the sponsors are providing Eu125 million of equity under the base case, up to a maximum commitment of Eu151 million, some of which might take the form of subordinated debt.

The margins on the uncovered debt are in excess of 250bp, which is within the expected range for other French PPP deals that closed at the time. The pricing on the Dailly is slightly higher than usual and in excess of 150bp, which can be attributed to the absence of several French banks, which are typically able to offer lower costs of funding for Dailly debt.

## **Ecomouv**

STATUS: Closed 20 October 2011

SIZE: Eu704.5 million

DESCRIPTION: Development of a satellite tolling system in France

GRANTOR: MEEDAT

SPONSORS: Autostrade per l'Italia (70%), Thales (11%), SNCF (6%), SFR (6%), Steria (3%)

MLAS: Banca IMI, Credit Agricole, Deutsche, Mediobanca, Unicredit

OTHER LENDERS: Caisse des dépôts et consignations

FINANCIAL ADVISERS: Deutsche, KPMG

GRANTORS LEGAL ADVISER: De Pardieu Brocas Maffei

SPONSORS LEGAL ADVISERS: Willkie Farr & Gallagher, Baker & McKenzie LENDERS LEGAL ADVISER: White & Case

CDCS LEGAL ADVISER: De Pardieu Brocas Maffei

TECHNICAL ADVISER: EC Harris

INSURANCE ADVISER: Marsh

TAX ADVISER: PricewaterhouseCoopers

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